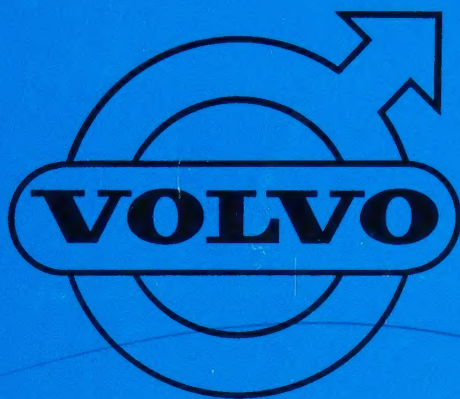


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VOLVO

1966

ENGLISH EDITION



On 19th August, 1966, the first series-built Volvo 144 rolled off the assembly line in the presence of AB Volvo's Managing Director Gunnar Engellau (right) and Deputy Managing Director Svante Simonsson.

VOLVO

ANNUAL REPORT FOR 1966 – FORTIETH YEAR OF OPERATIONS

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General Meeting

The Annual General Meeting will be held at the office of Skandinaviska Banken in Gothenburg at 10 a.m. on Monday, 8th May, 1967. Shareholders wishing to attend should notify the Board not later than Wednesday, 3rd May, 1967.

Proposed Distribution of Profits

The balance of unappropriated earnings available for disposition by the General Meeting amounts to kr. 70.7 million. The Board and Managing Director propose to the General Meeting that a dividend be paid for the year 1966 on Coupon No. 32 of kr. 3:50 per share. The dividend, which corresponds to 7 % of the Company share capital, will absorb a sum of kr. 23.9 million and can be drawn immediately after the General Meeting.

The Board

FRANZ HARTMANN (Chairman), Gothenburg
HADAR H:SON HALLSTRÖM (Deputy Chairman), Hälsingborg
GUNNAR ENGELLAU Gothenburg
BENGT JUNKER Stockholm
EBBE SVENSSON Bromma
ULF AF TROLLE Askim
PER CARLSSON Hovås
TORE BROWALDH Stockholm

Deputy Members

LEIF MAGNUS Copenhagen
SVANTE SIMONSSON Gothenburg
LENNART VON KANTZOW Gothenburg

The Management

GUNNAR ENGELLAU Managing Director
SVANTE SIMONSSON Deputy Managing Director
PER EKSTRÖM Director of Finance
PER ERIKSSON Director of Sales
TORD LIDMALM Technical Director

Auditors

LARS ELVSTAD Authorized Public Accountant
GÖSTA JACOBSSON Authorized Public Accountant

Deputy Auditors

ÅKE FRYKLUND Authorized Public Accountant
SVEN-RUNE ROHLIN Authorized Public Accountant

Auditor for the Volvo Group of Companies

LARS ELVSTAD

Financial Highlights

(amounts in kr. million)

The Volvo Group of Companies

	1966	1965
Sales	3,044.9	2,793.4
Earnings before depreciation, allocations and taxes . .	302.8	309.9
in % of sales	9.9	11.1
Depreciation according to plan	80.5	68.6
Allocations	84.3	75.8
Taxes	71.6	84.0
Net profit	66.4*	81.5*
Capital expenditure for the year	177.4	170.7
Number of employees at 31st December	24,412	24,413
Salaries and wages	552.9	497.7

*) Of which the minority share in 1966 was kr. 1.5 million; and in 1965 kr. 1.6 million.

Parent Company

Number of vehicles sold	145,262	145,136
Sales	1,997.8	1,882.0
Earnings before depreciation, allocations and taxes . .	205.7	217.1
in % of sales	10.3	11.5
Depreciation according to plan	52.1	42.8
Allocations	51.1	52.7
Taxes	46.7	58.3
Net profit	55.9	63.3
Proposed dividend	23.9	17.8
per share kr.	3: 50	3: 90*
Number of employees at 31st December	13,974	13,465
Salaries and wages	324.3	283.6

*) The 1965 dividend corresponds to kr. 3: — per share of the former share capital increased as a result of the 1966 scrip issue.

Note: Included among the allocations are the dissolved capital surpluses of pension foundations which amount to kr. 1.0 million for the Group (kr. 21.6 million in 1965) and kr. 0.9 million for the Parent Company (kr. 16.7 million in 1965).

Manufacturing Programme of the Volvo Group of Companies 1966





Volvo Göteborgsverken (Gothenburg, Torslanda, Bengtsfors)
Cars, station wagons and vans, petrol- and Diesel-powered trucks, bus chassis and special military vehicles.

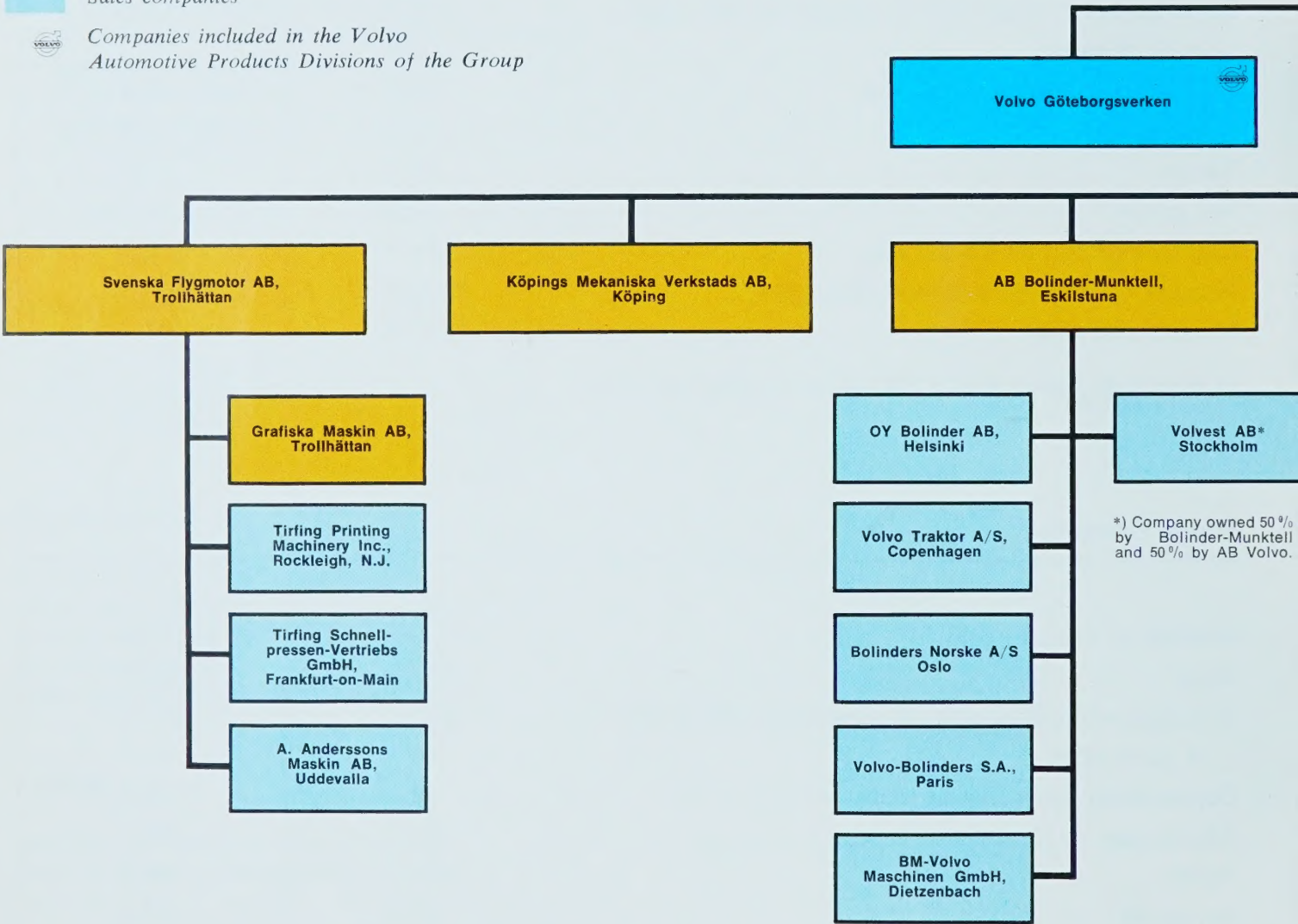
Volvo Skövdeverken (Skövde, Floby, Flen)
Petrol and Diesel engines (Skövde), disc brakes, brake drums, truck hubs, drive shafts (Floby), marine Diesel engines and engine reconditioning (Flen).

Volvo Köpingverken (Köping)
Gearboxes, rear axles, tractor final drives and outboard drive assemblies for Volvo Penta Aquamatic marine units.

Volvo Penta (Gothenburg)
Marine and industrial engines as well as power and generator units based on Group engines.

Volvo-Umeverken AB (Umeå)
Truck cabs.

-  Manufacturing divisions within AB Volvo
-  Manufacturing subsidiary companies
-  Sales companies
-  Companies included in the Volvo Automotive Products Divisions of the Group



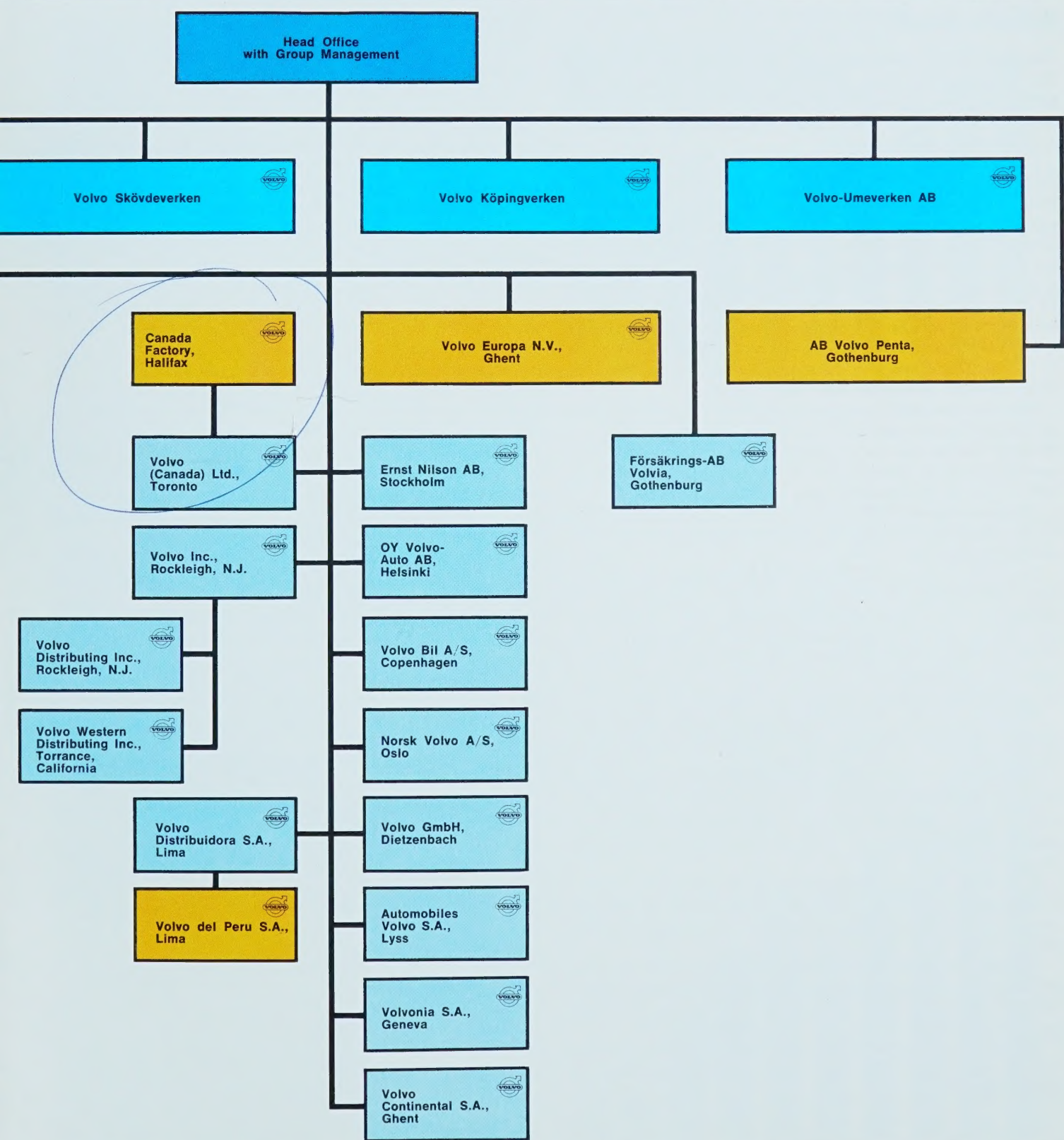
Köpings Mekaniska Verkstads AB (Köping)
Machine tools — lathes, milling machines and numerically programmed machines — and automotive components for Volvo.

AB Bolinder-Munktel (Eskilstuna, Arvika, Hallsberg, Valla)
Tractors, tractor chassis, road graders, Diesel engines and front axle assembly components for Volvo vehicles (Eskilstuna), track-laying military vehicles, bodies for Volvo cross-country vehicles, mechanical loaders, excavators, forestry machinery, components for combine harvesters (Arvika), combine har-

vesters (Hallsberg), components and spare parts for combine harvesters (Valla).

Svenska Flygmotor AB (Trollhättan)
Jet engines, engine units for tanks, steering gears for Volvo cars, research and development work.

Grafiska Maskin AB (Trollhättan)
Letterpress machines and web offset presses, cutters and creasers, stacking and bundling machines.



The Volvo Group of Companies 1966

Economic Review

Characteristic of economic events during the year 1966 was the continued high level of business activity internationally, which has been prevalent for several years. Throughout the course of the year, however, there was a slowing-down in the rate of economic development.

In many parts of the world, the vigorous economic growth resulted in the full utilization of industrial capacity and absorption of available manpower. This brought about considerable inflationary pressure and increase in demand, both of which adversely affected the balance of trade. Consequently, a number of countries were obliged to tighten up their economic policies with a view to curbing domestic demand, principally by means of financial measures such as credit restrictions and increasing the rate of interest. Such measures were adopted by USA, West Germany and Great Britain, and they contributed to the marked recession in the economic development noted in these countries during the latter half of the year.

With few exceptions, the rate of economic development both in Western Europe and USA was slower than during 1965. In Western Europe, the gross national product increased by an average 3.5 %. In Sweden, the increase was 2.9 %, compared with 3.7 % for the previous year.

The credit squeeze influenced investments principally related to the housebuilding industry, but in many cases also to industrial companies.

As a rule, however, the volume of investments was greater than during 1965, but the rate of increase was considerably slower in several of the industrial countries. Thus, in USA the percentage upswing in gross investments fell from 8.3 % to 5.5 %, in Western Europe from 3.7 % to 3.0 % and in Sweden from 4.7 % to 2.7 %.

During 1966, inflation continued in Western Europe.

The 6.2 % increase in consumer prices in Sweden was the highest in Western Europe, where the average increase was about 3 %.

In USA, where the annual consumer price increase during the first half of the 1960s was in the region of 1 %, there was a sharp rise in prices at the end of 1965 and consumer prices rose during 1966 by about 3 %. A similar development took place in Canada.

In Sweden, the consumption increase for the period 1965—1966 remained at 2.3 %, compared with 4.4 % for the previous year, while real incomes rose by about 3 % for each of these years.

Swedish foreign trade developed favourably during the year with exports showing an increase of 6.5 % while imports were up only 4.3 %, so that the adverse trade balance fell from kr. 2,103 million in 1965 to kr. 1,750 million in 1966.

Of particular interest is the improvement in the so-called "motor vehicle trade balance", which can be seen from the following table:

Motor vehicles and components (kr. million)

	Exports	Imports	Exports/imports
1964	1,065.5	1,535.6	— 470.1
1965	1,163.3	1,813.7	— 650.4
1966	1,453.7	1,530.3	— 76.6

To sum up: The Swedish economy during 1966 was characterized by continued inflation; diminution in investment activities; substantial increases in wages, salaries and production costs; but a somewhat improved trade balance.

Market Conditions

During 1966, Europe was still divided into two trading blocs. At the beginning of the year, the EEC internal tariff barriers were lowered by 10 %: A quarter of the remainder will be removed on 1st July, 1967, and the rest on 1st July, 1968, when the final adjustment of customs duties external to EEC will also take place. Within EFTA, internal tariff barriers were totally removed by the end of 1966. For the automobile industry, certain important exceptions will remain: Norway, for example, will retain all of its import tariffs on motor vehicles as it considers this matter to be fiscal; Finland, Portugal and Switzerland, are also retaining a certain part of their tariffs.

On 30th November, 1966, Great Britain withdrew its special import surcharge of 10 % (previously 15 %).

World production of cars during 1966 remained at approximately the same level as for 1965 with an output of 19.5 million units compared with 19.2 million units from the previous year. In Western Europe, production increased from 7.5 million units in 1965 to 8.0 million in 1966; in Japan, from 0.7 million to 0.9 million; while it dropped in USA from 9.3 million to 8.6 million units. In France, production rose by 25 % and in Italy by 16 %, but fell in Great Britain by 7 %.

Of particular importance to Volvo was the situation on the Swedish car market, which had developed without abatement throughout the entire first half of the 1960s but suffered during 1966 a sharp decline with a reduction in new registrations by 67,000 units or 24.4 %. This decline may be adduced to several factors: An excessively rapid expansion of the car market during the years immediately prior to 1966; credit restrictions; shortage of money; and general uncertainty concerning the future of the economy and wage development. During the period 1960—1966, new registrations amounted to the following:

New car registrations, Sweden

		Alteration from previous year
1960	159,829	
1961	181,011	+ 13.3 %
1962	196,717	+ 8.7 %
1963	230,880	+ 17.4 %
1964	257,669	+ 11.6 %
1965	274,997	+ 6.7 %
1966	207,977	— 24.4 %

In Western Europe on the whole, new registrations rose from 6.2 million in 1965 to 6.4 million in 1966. Denmark, Norway, Switzerland, Austria and France showed a positive development, while overall sales dropped in Great Britain, West Germany, Holland and Finland.

On Volvo's largest export market, USA, the total number of new registrations of cars fell from 9.3 million to 9.0 million. However, the market share of imported cars rose from 6.1 % to 7.3 %, or from 569,415 units in 1965 to 658,123 units in 1966.

The *truck market* continued to expand in a number of countries. An exception was Sweden, where there was an 8.4 % drop in truck registrations, and West Germany where the reduction was 3.4 %. Credit restrictions and a reduced rate of investment were in many countries instrumental in curbing demand during the course of the year.

On the overseas markets, the trend continued towards increased demands for local assembling and component manufacturing as a condition for permitting imports.

The market development for *agricultural machinery* was characterized in Sweden by a general restraint in the purchase of this type of machinery, poor harvest results being the principal reason. New registrations of tractors fell from 13,293 units in 1965 to 12,418 in 1966.

The demand on the various export markets showed a development which was not uniform for all the markets taken together. In Great Britain, the market was weak because of this country's difficult economic situation, while the demand in the neighbouring Scandinavian countries was satisfactory.

Sales of AB Bolinder-Munktell *industrial machines* both in Sweden and abroad increased sharply. This section of the Company's products was responsible for sales equally as large as those of its hitherto largest product group, agricultural tractors. Mechanization of the forestry industry has created a greater need for forestry tractors and loaders.

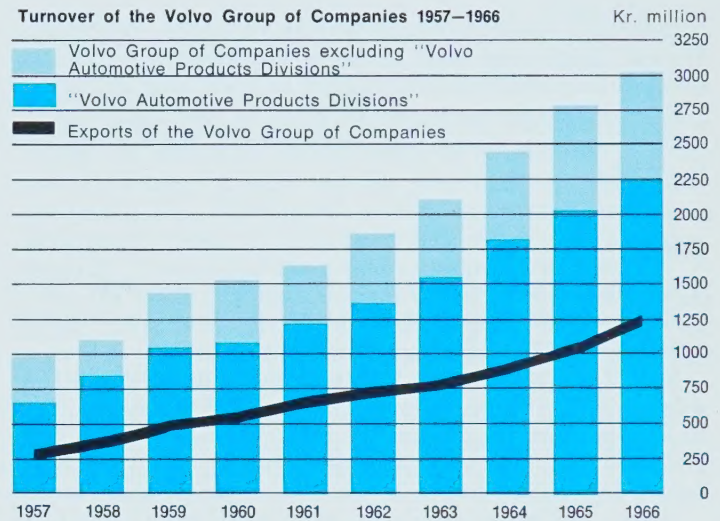
Improvement in the supply situation of heavy-duty *engines* made it possible for Volvo Penta to increase its sales of engines intended for marine operation and industrial purposes. Export sales increased most, a contributory factor to this being the expanding production of pleasure boats in Northern European Countries and large deliveries to USA.

The reduced propensity to invest influenced considerably the demand for *machine tools* produced by Köpings Mek. Verkstads AB. Increased interest was shown on the markets in newly designed, numerically programmed machines. Otherwise the company's product range in general was limited.

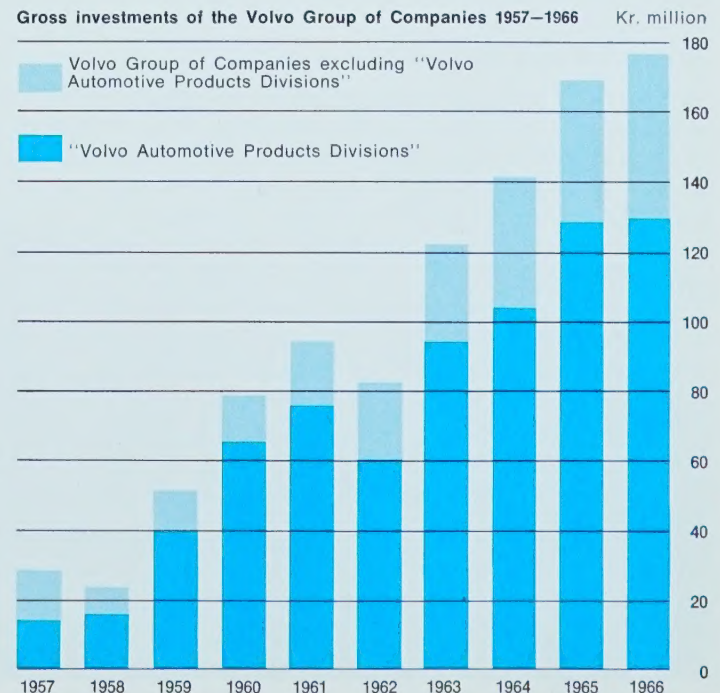
At Svenska Flygmotor Aktiebolaget, development work continued on the RM 8 engine intended for the aircraft Weapons System 37 "Viggen", and the first engine to be used in test flying was delivered according to schedule. The resolution passed by the Swedish Parliament to postpone series production of the aircraft Weapons System 37 meant a continued adaptation to a lower delivery rate for the present engine production programme. The political debate on defence gives rise to fears of a further reduction in production, on a longterm view, on behalf of the Swedish Air Force.

In competition with firms abroad, the company received

Turnover of the Volvo Group of Companies 1957–1966



Gross investments of the Volvo Group of Companies 1957–1966



considerable export orders concerning jet engine components. Greater efforts were made to enable the company to turn out new products which can be absorbed by the civilian market.

Sales of *printing machinery* marketed by the Flygmotor subsidiary, Grafiska Maskin AB, increased as a result of the rise in exports.

Sales

Total sales of the Volvo Group amounted in 1966 to kr. 3,045 million, compared with kr. 2,793 million from the previous year, an increase of 9 %.

During the year, Volvo Group products were able to consolidate their relative position on the Swedish market. Sales in Sweden, however, dropped by 1 % to kr. 1,464, which comprised 48 % of the overall Group turnover. Of products intended for civilian use, 45 % was sold on the Swedish market.

Group exports increased by kr. 229 million to kr. 1,255 million.

The distribution of exports can be seen from the following table:

	1966 kr. million	1965	Alteration in %
Scandinavia, Finland and Iceland . . .	392	338	+ 16.0
Europe, excluding countries above . . .	360	295	+ 22.0
North America	320	232	+ 38.1
Other markets	183	161	+ 13.6
Total	1,255	1,026	+ 22.3

Exports to the EFTA countries amounted to kr. 507 million (an increase of 12 % compared with 1965) and to the EEC-bloc kr. 214 million (an increase of 32 % from 1965).

Personnel and Employment

At the end of 1966, the number of employees within the Volvo Group amounted to about 24,400, this figure being unchanged from the previous year. The following table shows the number of personnel employed by AB Volvo and Group companies,

	Wage earners	Salaried employees	Total
AB Volvo			
The Head Office, Gothenburg	822	2,168	2,990
Volvo Penta	172	258	430
Göteborgsverken	4,921	839	5,760
Skövdeverken	2,291	606	2,897
Köpingverken	1,043	399	1,442
Umeverken	345	110	455
Köpings Mek. Verkstad . . .	401	215	616
Bolinder-Munktel	3,156	1,628	4,784
Svenska Flygmotor	1,210	985	2,195
Other Group Companies,			
Sweden	356	376	732
Group Companies, abroad . .	836	1,275	2,111
Total	15,553	8,859	24,412

During the year, employment in the Group factories was good. The position on the Swedish labour market was normalized and the supply of manpower improved, one of the factors contributing to this being the progressive structural rationalization resulting in a manpower surplus within several branches of Swedish industry. However, the shortage of skilled labour still remained.

A settlement on the Swedish labour market could first only be established after long drawn-out negotiations and at the price of considerable wage increases covering the three-year period 1966/1968.

The rationalization measures successfully applied to production for many years by the Volvo Group is now extended and intensified to include also the administration. Over a period of several years the Group has gradually installed an automatic data processing system for systematic coverage of production and materials. Moreover, a number of other measures within the framework of a long-term rationalization programme pertaining to administration was adopted. Good results are expected of these efforts during the next few years.

The Volvo Group training and education programmes are extended particularly concerning staff personnel with supervisory functions.

Expenditure

Group capital expenditure in new plant amounted to kr. 177 million, which constituted a new record annual figure.

A description is given on page 17 of the plants completed during the year as well as important decisions concerning new expenditure within the Automotive Products Divisions of Volvo.

During the next few years, a considerable part of the capital expenditure planned by Bolinder-Munktel will be put into effect by utilization of capital from the reserve for future investments.

Group Trading Results and Liquidity

The increase in turnover during 1966 amounted to 9 %, compared with 12 % during 1965. Even if available production capacity was utilized to a satisfactory extent, the relatively modest increase in output volume together with continued rationalization could not quite counterbalance the rises in costs for purchased materials, wages and salaries and expenses.

Trading results were burdened with product development costs which, concerning both the amount and the relation to the turnover, were higher than for the previous year.

These factors and the difficulties in achieving compensation via price increases owing to the continued stiff competition on

During the year, Volvo-Bolinders S.A. erected an import installation in Nanterre, a suburb of Paris. The new buildings house a head office, a storehouse for spare parts, delivery workshops and training premises.

all markets resulted in a Group profit, before allocations, which was 8 % lower than that for the previous year.

For both the Parent Company and the wholly-owned subsidiary manufacturing companies, the requisite capital was taken from the trading surplus partly in order to consolidate up to the maximum amount permitted by current tax law provisions and partly to make allocations to the reserves for future investments.

During the year, the liquidity position was burdened by large investments.

While it was possible to maintain stocks of production materials unchanged at the 1965 level, stocks of finished products rose considerably. Increased exports require large handling stocks for shipping purposes, but the increase in stocks for certain products exceeded a corresponding increase in sales. Measures have been taken to restore these stocks during 1967 to normal level.

Owing to the increase in exports, delivery credits also rose considerably. In spite of these liquidity reduction factors, Group liquidity remained good, a contributory factor being the new share issue in the Parent Company.

The Volvo Group intends fulfilling its planned expansion during the remainder of the 1960s. It is estimated that the rate in volume growth will be somewhat less rapid than previously. The building of modern production plants and widespread renewal of products during recent years have considerably strengthened the Group's competing power.

On the Swedish market, several of the Group products are facing stiffer competition from foreign imports. While at the same time it is planned to allocate an increased share of Group production to traditional, and new, export markets, the development of costs in Sweden compared with other industrial countries is of decisive importance to the continued, favourable trading outlook for Group business.



Consolidated Profit and Loss Account for 1966 and balance of unappropriated earnings

(amounts in kr. million)

	1966	Alterations from previous year
<i>Sales</i>	3,044.9	+ 251.5
<i>Cost of products sold</i> (depreciation 1966 kr. 82.2 million; 1965 kr. 70.8 million)	2,867.5	+ 299.2
<i>Trading profit</i>	177.4	— 47.7
<i>Miscellaneous income</i>		
Interest	44.8	+ 4.8
Cash discounts received	11.2	+ 0.2
Sundry income	26.9	+ 11.2
	82.9	
	260.3	— 31.5
<i>Miscellaneous costs</i>		
Interest	26.2	+ 5.3
Writing down of shares	16.6	+ 16.6
Sundry costs	12.5	+ 2.2
	55.3	
	205.0	— 55.6
<i>Allocated to</i>		
General stock reserves	41.0	— 17.1
Reserves for future investments	26.0	— 11.0
	67.0	
	138.0	— 27.5
<i>Taxes on income</i>	71.6	— 12.4
	66.4	— 15.1
<i>Minority share in profits</i>	1.5	— 0.1
<i>Net profit for 1966</i>	64.9	— 15.0
Balance of unappropriated earnings at beginning of year	113.9	
Less scrip issues within the Group	— 74.2	
Unappropriated earnings released through writing down of shares	+ 0.7	
	40.4	
	105.3	
<i>Less:</i>		
Allocations to legal reserves	6.9	
Dividend of Parent Company	23.9	30.8
<i>Balance of unappropriated earnings at 31st December, 1966</i>	74.5	

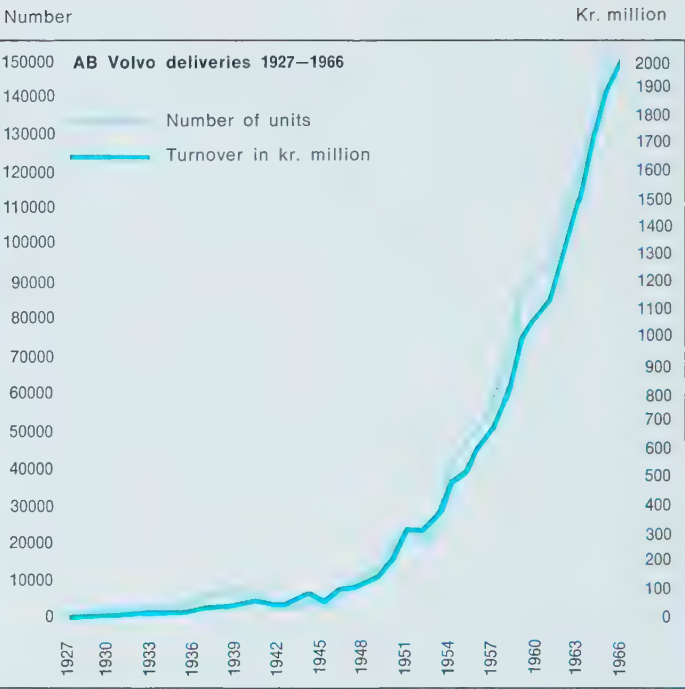
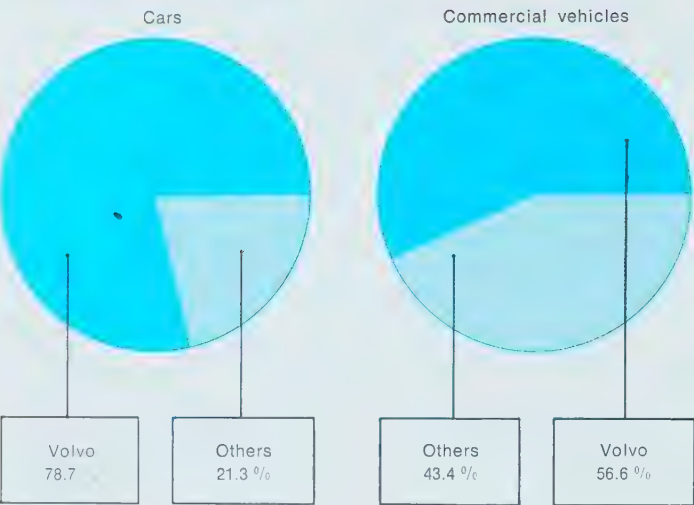
Consolidated Balance Sheet as at 31st December, 1966

(amounts in kr. million)

Assets	1966		Alterations from previous year
<i>Fixed assets</i>			
Property, machinery and equipment	464.0		+ 54.8
Shares	27.7	491.7	— 10.1
<i>Investment account with Sveriges Riksbank</i>		28.2	+ 9.5
<i>Current assets</i>			
Stocks, gross amount	1,006.4		+ 127.4
Less stock reserves	522.7		+ 47.5
Book value of stocks	483.7		+ 79.9
Debtors	546.9		+ 104.0
Short-term loans and investments	161.0		+ 3.3
Cash at banks and in hand	247.5	1,439.1	— 13.8
<i>Total assets</i>		1,959.0	+ 227.6
 Shareholders' equity and liabilities			
<i>Shareholders' equity</i>			
Share capital	342.0		+ 114.0
Legal reserves	141.4		+ 37.0
Unappropriated earnings	74.5		— 39.4
<i>Shareholders' equity</i>		557.9	+ 111.6
<i>Minority shareholders' equity</i>		20.3	+ 0.4
<i>Reserves for future investments</i>		135.5	— 13.3
<i>Long-term liabilities</i>			
Pension Foundations	99.0		+ 8.5
Bond loans	61.2		— 0.6
Promissory loans and mortgage loans	88.1	248.3	+ 21.0
<i>Current liabilities</i>			
Suppliers	250.1		+ 15.8
Advance payments from customers	192.0		+ 1.1
Bank loans	59.9		+ 10.0
Taxation	13.9		— 20.6
Dividend for the year of Parent Company	23.9		+ 6.1
Sundry creditors and provisions	457.2	997.0	+ 87.6
<i>Total shareholders' equity and liabilities</i>		1,959.0	+ 227.6
 Securities pledged		394.7	+ 21.3
Contingent liabilities		98.4	+ 34.4

Aktiebolaget Volvo

Production statistics 1966, Sweden



The 121/122 S model was the most sold car in Sweden during 1966. The Volvo 144 model was awarded a gold medal by the Swedish Automobile Association for safety and was also voted "The Car of the Year" in Sweden, Norway and Holland.



On 2nd January, 1960, the Company paid to one of its major suppliers a non-recurrent sum of kr. 20 million. This took place in connection with agreements concerning partly the discontinuance of a contract on royalties signed in the year 1929, and partly a new price and delivery contract. Since 1960, the Company has charged the annual trading results with costs corresponding to what should have been paid according to the royalty agreement just mentioned, and has entered in the books the remainder of the non-recurrent sum as "Costs paid in advance". The 1966 trading results were charged with the final remaining part of the sum concerned which amounted to kr. 1.5 million.

The question of the Company's right concerning taxation on earnings to make deduction for the disbursed amount of kr. 20 million has been the subject of legal tax proceedings. While awaiting the final outcome of the tax case, the Company has set aside allocations to a special tax contingency reserve, which amounted to kr. 10.3 million in the final accounts for 1965.

As a result of the Swedish Supreme Administrative Court ruling on 8th February, 1967, approving the right of the Company to make the deduction mentioned above, it was possible to dissolve this reserve in the 1966 final accounts.

This dissolution is entered both in the above analysis and in the Profit and Loss Account as an additional, extraordinary item of income. The tax allocation for the year thereby correspond to the year's results after tax-free dispositions.

Sales

Total Volvo sales during 1966 amounted to kr. 1,998 million. The following table shows the division of main products including spare parts:

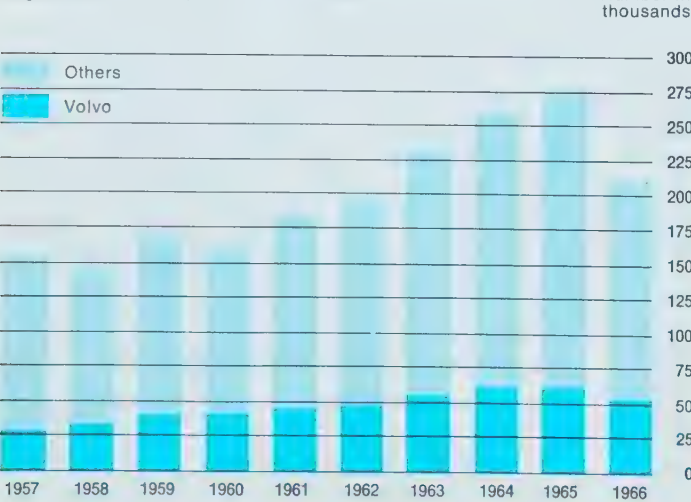
	1966		1965	
	Number	Value in kr. million	Number	Value in kr. million
Cars	108,129	1,024.3	111,827	1,053.7
Vans and Station Wagons	23,024	232.5	20,086	199.6
Trucks	13,141	552.3	12,192	482.6
Buses	968	47.8	1,031	42.2
Engines, etc.	—	140.8	—	103.8
Total	145,262	1,997.8	145,136	1,882.0
Of which for				
Sweden	53,276	933.5	67,334	1,020.6
Export	91,986	1,064.3	77,802	861.4

In August, the Company introduced its new car, the Volvo 144. This model attracted much attention for its outstanding construction and design and was given a very positive reception by both the daily press and trade journals. In Sweden, Norway and Holland, the Volvo 144 model was voted "The Car of the Year". In spite of the rapid start to production during the autumn, demand quickly exceeded supply, and when this car was introduced to markets outside the Scandinavian countries at the beginning of 1967, delivery dates continued to be prolonged in spite of the fact that the rate of production was increased still further.

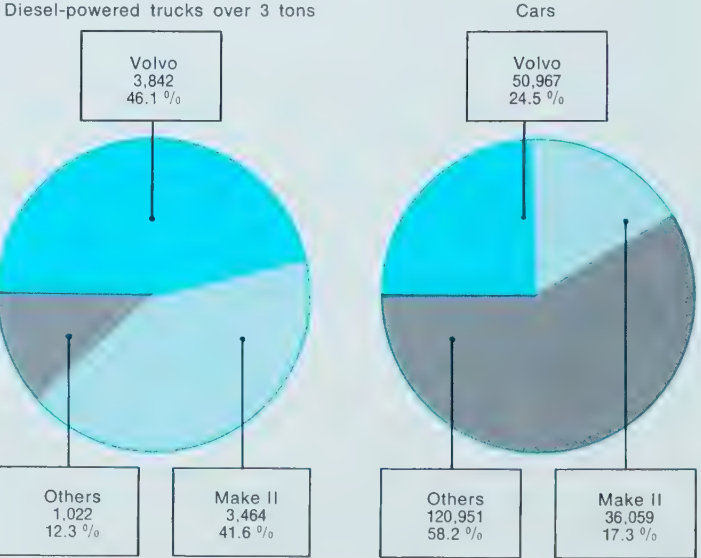
The Swedish Market

Deliveries to the Swedish market fell by kr. 87 million or 8.5 %. The value of motor vehicle deliveries amounted to kr. 870 million, a reduction from the previous year of kr. 104 million, this corresponding to 10.7 %.

Registrations of cars, Sweden 1957-1966



Registration statistics 1966, Sweden



Cars

On the notably recessive Swedish market, Volvo was able to increase its share of the market from 21.5 % to 24.5 % and widen at the same time the gap to the nearest competitor. New registrations of Volvo cars, however, fell to 50,967 from the previous year's 58,995, a reduction of 13.6 %, while the reduction for the entire Swedish car market amounted to 24.4 %.

The number of Volvo cars with PV-guarantee at 31st December, 1966, was approximately 266,000.

Commercial Vehicles

The demand for trucks, which has been on the increase during the last few years, became smaller during the year 1966 and new registrations fell to 17,146 from 18,725 in 1965.

For diesel-powered trucks over 3 tons, the number of registrations was, however, practically unchanged with Volvo registrations at about the 1965 level.

Within the weight classes where Volvo was represented, the registration figures for new trucks were as follows:

	1966	1965
Petrol-powered trucks over 2 tons . .	492	907
Of which Volvo's share was	241	464
	49.0 %	51.2 %
Diesel-powered trucks over 3 tons . .	8,328	8,420
Of which Volvo's share was	3,842	3,878
	46.1 %	46.1 %

Registrations of buses amounted to a total of 1,441 units, compared with 999 from the previous year. Volvo's share of the market was 6.0 % as against 15.8 % for 1965.

Exports

During the year, Volvo was able to compensate for the drop in deliveries of passenger cars to the Swedish market with increased exports. The total value of Volvo exports amounted in 1966 to kr. 1,064 million, compared with kr. 861 million from 1965, an increase of 23.6 %. Of this figure, vehicles including spare parts accounted for kr. 987 million (kr. 804 million in 1965) with the following distribution on the various export markets.

	1966 kr. million	1965 kr. million	Alteration in %
Scandinavia, Finland and Iceland .	303	264	+ 14.8
Europe, excluding countries above	253	199	+ 27.4
North America	297	218	+ 36.4
Other markets	134	123	+ 8.3
Total	987	804	+ 22.8

Volvo sales to the EEC and EFTA countries increased during the year and read as follows:

	1966	1965	1966	1965
	EEC		EFTA	
Number of vehicles . .	14,989	11,232	33,176	30,967
Export value in kr. million	148	109	402	349

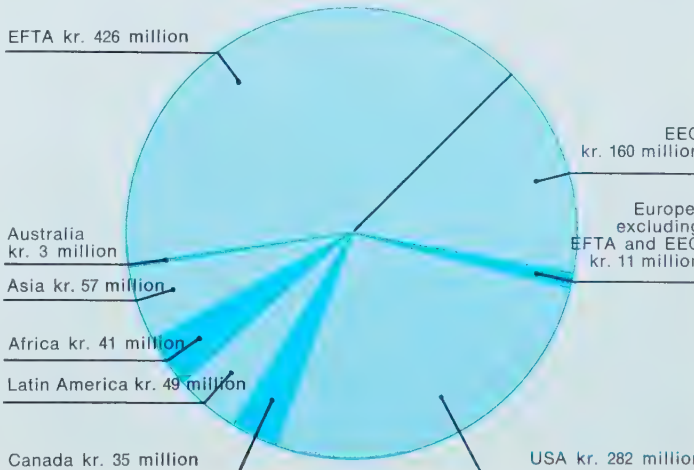
During 1966, Volvo was able to increase its sales to the neighbouring Scandinavian countries of both cars and commercial trucks. In these countries the number of new Volvo registrations was the following:

	1966	1965
Cars incl. vans	20,251	16,625
Commercial vehicles	3,305	2,768

In the remaining EFTA countries, Volvo increased its sales in Switzerland of both cars and trucks. In Great Britain it was possible, in spite of the special import surcharge, to increase car sales, and preparations were made to introduce Volvo trucks. In Austria, car sales increased, while sales of trucks remained at the 1965 level. Truck sales in Portugal developed favourably so that Volvo registrations increased by 22 %.

The major part of Volvo's motor vehicle production delivered to the EEC-bloc came from the Volvo Europa factories in Ghent and Aalst in Belgium. Volvo car sales in Belgium rose sharply and resulted in an increase in registrations of 22 %, while sales of trucks remained at the 1965 level. In Holland, overall car sales dropped by 30 % and Volvo's sales were also correspondingly affected. Volvo truck sales, too, in Holland showed a decline. In West Germany and France, the extent of Volvo car sales was the same as for 1965, while truck sales in France increased.

AB Volvo exports to different markets in 1966 Total exports kr. 1,064 million



The association of Greece with the EEC-bloc continued in accordance with the association agreement. To this important market of long standing, Volvo increased its deliveries during 1966.

Although the overall car market in USA fell, Volvo was able to increase its sales to 25,125 new registrations compared with 18,115 from the previous year, an increase of 38.7 %, which placed Volvo third among imported cars.

In Canada, Volvo attained 3,918 new registrations, which meant an increase of 14.6 %. The Volvo (Canada) Ltd. assembly factory in Dartmouth, Nova Scotia, produced 3,701 cars during the year. In the beginning of 1967, production was moved to a newly constructed and larger factory in Halifax.

The new Volvo truck series — System 8 — was introduced during the year on the Company's export markets.



Deliveries to South and Central America increased from kr. 32 million in 1965 to kr. 42 million in 1966. Of this amount, kr. 15 million pertained to the Volvo subsidiary company in Peru, where an assembly factory for trucks and buses was taken into use during the year.

Motor vehicles were delivered to Asia at a value of kr. 51 million, an increase of kr. 3 million from the previous year. Deliveries to Malaysia were up by about 50 % to 1,795 cars. A car assembly factory is being erected in Kuala Lumpur in co-operation between Volvo and the importer and is expected to be in operation in the autumn of 1967.

Sales to Africa decreased by about 10 % owing to political and economic instability in several countries on this continent.

Deliveries of motor vehicles to the various overseas markets can be seen from the following table:

	1966	1965	Alteration
	kr. million		in %
South and Central America . . .	42	32	+ 31.9
Asia	51	48	+ 4.9
Africa	39	42	— 7.1
Australia	2	1	+ 65.9
Total	134	123	+ 8.3

Product Development

The new Volvo 144 car is the result of many years of comprehensive development work. Costs arising hereto in the form of designing, testing and experimenting, tooling and production preparations amounted to approximately kr. 150 million.

The new model embodies the successfully achieved aim of meeting the very high demands imposed concerning quality, safety, comfort and economy. Permeating the entire construction and design of the vehicle is the basic theme of safety. Of particular mention is the unique dual-circuit brake system which, as the most important feature to appear during 1966 from the viewpoint of traffic safety, has been awarded a gold medal by the Swedish Automobile Association.

The consistent desire to attain high quality and operational reliability forms the basis for its excellent running economy. The new car provides first-class comfort as it is spacious, has ergonomical seating, is easy to manoeuvre and has good heating and ventilation.

To the Volvo 121/122 series was added a new variation, the Volvo 120 GT, which is fitted with special equipment and powered by a 115 b.h.p. engine.

The engine output for all passenger cars was stepped up during the year.

New legislation in USA imposes special demands on passenger cars concerning their design and performance, primarily from the viewpoint of safety. The Company considers itself capable of effectively meeting the demands so far imposed.

The new truck programme, System 8, was supplemented during the year with further new features.

A new bus programme was presented and consisted of three



In Saudi-Arabia, the long-distance hauliers must be capable of not only operating on tarmac motorways but also through roadless deserts. This Volvo N88 — a modern cargo craft of the desert — is therefore equipped with 24-inch wheels, extra fuel and water tanks.

new chassis types. All buses can now be powered by super-charged turbo-engines.

Buildings and Plant

Company plant expansion progressed during the year according to plan.

The new press shop in the Torslanda Factory started production of large sheet-metal parts for the Volvo 144 model. Among the highly effective production equipment taken into use at the manufacturing commencement of the Volvo 144 may be mentioned the automatic welding units.

In the Torslanda area construction work continued on the new installation for spare parts and servicing operations and is expected to be completed for use by the summer of 1967. The building of an extension to the spare parts storehouse was decided upon and its erection was started at the beginning of 1967.

Parallel to the construction work just mentioned, the building of the new head office continued and is expected to be completed during the autumn of 1967.

At the beginning of 1967, a decision was reached to erect an office building next to the Torslanda Factory for the personnel department.

At Volvo Skövdeverken, an extension to the engine factory was started.

Production of rear axles and front end components for cars was started in newly built premises and with new production equipment at Volvo Köpingverken.

Since the Volvo Company in 1950 incorporated Bolinder-Munktel into the Volvo Group, Bolinder-Munktel has been responsible for the manufacturing of front axles and front axle components for Volvo's automobile production at its factory in Eskilstuna. To facilitate the continued expansion of Bolinder-Munktel, a decision was reached to transfer the production of front axles to Köpings Mekaniska Verkstads AB

and Volvo K pingverken, and this transference is to take place during 1967.

In Arvika, building operations concerning a new forging plant, Volvo Arvikasmedjan, were started during the spring of 1966 and production here will begin in 1967.

Of investments in projects decided upon, there remained about kr. 173 million to pay at the end of the year, a reduction of kr. 22 million compared to the end of the previous year.

Manufacturing Divisions

Volvo G teborgsverken

The new press shop, which was taken into use during the year, presses large sheet metal components for the new Volvo 144 car. The number of assembly lines was increased in the car factory.

The annual production of G teborgsverken amounted to a total of 151,439 units compared to 146,801 from the previous year — an increase of 3.2 %.

Production

	1966	1965
<i>Cars incl. station wagons and vans</i>		
Assembled units	121,753	122,178
"Knocked-down" units	14,729	11,061
Total	136,482	133,239
<i>Commercial vehicles</i>		
Assembled units	11,358	10,782
"Knocked-down" units	3,599	2,780
Total	14,957	13,562

Volvo Sk vdeverken

During the year, there was a reorganization of production in the car engine factory. As a result of extending the assembly line, supplementing assembly fixtures, testing equipment and finishing machines, the production capacity increased from 140,000 to 175,000 engines per year.

The largest press line in the country was taken into operation at the new press shop in the Volvo Torslanda Factory. It comprises one double-operating and three single-operating presses for pressing large sheet-metal parts for the Volvo 144 car.



In connection with this increase in the manufacturing capacity, production was started on new versions of the B 18-engine which were given higher outputs.

At the Floby Factory, a new, highly mechanized production line for making brake discs for the new Volvo 144 car was taken into operation.

<i>Production</i>	1966 number of units	1965 number of units
Petrol engines	142,712	144,090
Diesel engines	20,124	17,520
Total	162,836	161,610

Volvo Köpingverken

Production was started during the second half of 1966 at the newly built factory for turning out rear axles and front axle components for cars. During the year, a new building was erected for goods reception and checking arrivals. The production of certain components and spare parts, which are manufactured in smaller series, was transferred during the year to Köpings Mekaniska Verkstads AB.

<i>Production</i>	1966 number of units	1965 number of units
Gearboxes for cars	127,906	131,592
Gearboxes for commercial vehicles	10,702	11,933
Rear axles for cars	3,518	—
Rear axles for commercial vehicles	12,980	12,643
Tractor differentials	13,935	11,564
Outboard drive units for Volvo Penta Aquamatic	14,433	6,630

Volvo Umeverken

This company was merged during the year with AB Volvo. Production amounted in 1966 to 8,294 (1965 = 8,592) truck cabs and 2,605 (1965 = 1,369) packing sets, the latter intended for inclusion in the assembling of Volvo trucks in assembly plants abroad.

Volvo Köpingverken — the factory which produces transmissions for the Volvo Group.



Personnel

Wages, salaries and other emoluments during the year amounted to kr. 324.3 million, of which kr. 3.6 million went to the Board, Management and Senior Executives, kr. 127.0 million to salaried employees and kr. 193.7 million to wage earners.

As a result of the merger with Volvo-Umeverken AB, the number of employees increased by about 500, and consisted of the following:

	1966	1965
Salaried employees	4,328	4,124
Wage earners	9,663	8,894
Total	13,991	13,018

Costs fixed by social benefits, prescribed by law or through collective agreements, such as pensions, holidays with pay, etc. amounted during 1966 to the considerable sums specified as follows:

	kr. million
Annual and public holidays (included in the amounts given above)	32.4
Pension costs	25.7
Insurance contributions	5.8
Total	63.9
	(1965 = 54.8)

In addition to these obligatory commitments, costs were also borne by the Company for training and education, health control etc.

Liquid Assets

Very considerable investments, exceeding kr. 100 million for the first time in the Company's history, likewise increased debtors' amounts and stocks, imposed heavy burdens on the liquid assets of the Company. The liquid position at the end of the period under review remained unaltered from that at the close of the previous year as a result of the addition to the share capital of kr. 68.4 million from the 1966 share issue. Cash at banks together with short-term loans and investments amounted to kr. 300 million, compared with kr. 306 million at the beginning of 1966.

Capital Requirements and Dividend Policy

The 1966 General Meeting approved the proposal of the Board to increase the share capital. This increase involved partly a new share issue at a nominal value of kr. 45.6 million issued at the rate of 150 %, of which the premium kr. 22.8 million was credited to the Company legal reserve, and partly a scrip

The Volvo F 88 — the forward control version of the Company's most powerful truck — can be equipped for gross laden weights of up to 70 tons.



issue at a value of kr. 68.4 million. The share capital was consequently increased from kr. 228 million to kr. 342 million.

As a result of these emissions, the Company share capital has been adapted to correspond proportionately to the existing volume of trading activities. Consequently, and viewed also against the background of the altered regulations concerning dividend taxation, the Board has re-examined the dividend policy hitherto applied.

The Board proposes that a dividend of 7 % be paid to shareholders for the 1966 year of operations. To the extent permitted by Volvo's future trading results, the Board also intend in future to propose a higher dividend than the traditional 6 %.

Proposed Distribution of Earnings

After the above-mentioned 1966 scrip issue together with allocations to the legal reserve and supplementary legal reserve of kr. 6,500,000: — and a dividend to shareholders amounting to kr. 17,784,000: —, which have been approved by the General Meeting, there remained:

	kr. 1,000
A balance of unappropriated earnings	14,823
Net profit for the year	55,869
Available for disposition of General Meeting	70,692

The Board and Managing Director propose that the above amount be distributed as follows:

	kr. 1,000 1966
To the supplementary legal reserve	5,700
To shareholders a dividend on Coupon No. 32 of kr. 3: 50 per share	23,940
To the unappropriated earnings account	41,052
Total	70,692

The attached Balance Sheet shows the position on the assumption that the General Meeting approves the recommendations of the Board and Managing Director concerning the distribution of earnings.

The results of the Company's activities during 1966 and its position at the end of the year are shown in the accompanying Profit and Loss Account, the Balance Sheet and the Comments on the Accounts.

Gothenburg, March, 1967

H. HALLSTRÖM	BENGT JUNKER	F. HARTMANN	EBBE SVENSSON	ULF AF TROLLE
	PER CARLSSON	TORE BROWALDH	G. ENGELLAU	

Auditors' Report

In our capacity as duly appointed auditors of Aktiebolaget Volvo, we submit herewith the following Report in respect of 1966.

We have examined the Annual Report and have had access to the Company's books, Minutes and other documents giving information concerning the finances and administration of the Company and have generally carried out such other auditing procedures as we considered necessary.

The detail checking of the accounts has been carried out by specially appointed persons.

The provisions of Company Law concerning the accounting for shares and the relationship with subsidiaries have been complied with.

During our audit nothing has given rise to any criticism concerning the Annual Report, the Company's accounting procedures, inventory of its assets and otherwise with regards to the administration of the Company.

The proposal of the Board and Managing Director for the disposition of earnings does not conflict with the provisions of Company Law concerning transfers to legal reserves, or with good business practice.

We recommend:

that the Balance Sheet as at 31st December, 1966, which is included in the Annual Report, and signed by us, be approved;

that the Members of the Board and Managing Director be discharged from liability for their administration during the period covered by the Annual Report; and

that the proposed disposition of earnings be approved.

Gothenburg, 4th April, 1967

LARS ELVSTAD	GÖSTA JACOBSSON
Authorized Public Accountant	Authorized Public Accountant

Profit and Loss Account for 1966 and balance of unappropriated earnings

(amounts in kr. million)

	1966	Alterations from previous year
<i>Sales</i>	1,997.8	+ 115.8
<i>Cost of products sold</i> including maintenance, repairs, depreciation, type development costs, etc., and guarantee costs	1,793.0	+ 147.6
	204.8	— 31.8
<i>Less: Administrative and selling expenses</i> (note 11)	108.7	+ 18.3
<i>Trading profit</i>	96.1	— 50.1
<i>Miscellaneous income</i>		
Dividends (note 12)	17.9	+ 11.5
Interest (note 12)	29.4	— 0.1
Cash discounts received	8.8	+ 0.5
Accounts received previously written off	2.4	+ 0.3
Merger profit	—	— 10.6
Dissolved special tax reserve	10.3	+ 10.3
Sundry income	0.2	+ 0.2
	69.0	— 38.0
<i>Miscellaneous costs</i>		
Interest (note 13)	7.8	— 1.6
Writing down of shares	16.6	+ 6.0
Sundry costs (note 14)	4.7	+ 4.2
	29.1	— 46.6
<i>Allocated to</i>		
General stock reserve	13.5	— 24.5
Reserve for future investments	20.0	— 3.0
	33.5	— 19.1
<i>Taxes on income</i>	46.6	— 11.7
<i>Net profit for 1966</i>	55.9	— 7.4
Balance of unappropriated earnings at beginning of year	83.2	
Less scrip issue	68.4	
At the disposal of the General Meeting	70.7	
<i>Less, according to the recommendations of the Board and Managing Director:</i>		
Allocation to the supplementary legal reserve	5.7	
Dividend	23.9	29.6
<i>Balance of unappropriated earnings at 31st December, 1966</i>	41.1	

Balance Sheet as at 31st December, 1966

(amounts in kr. million)

Assets	1966	Alterations from previous year
<i>Fixed assets</i>		
Property, machinery and equipment (note 1)	263.0	+ 33.1
Shares and stockholdings (note 2)	102.6	— 6.7
Debenture loans to subsidiaries	16.3	+ 0.4
	<u>381.9</u>	
<i>Investment account with Sveriges Riksbank</i>	23.3	+ 10.6
<i>Current assets</i>		
Stocks (note 3)	184.3	+ 10.4
Trade debtors (note 4)	134.0	+ 31.7
Accounts receivable from subsidiary companies	90.4	— 5.2
Sundry debtors	53.0	+ 13.7
Short-term loans and investments	140.6	+ 10.4
Cash at banks and in hand (of which 51.3 on blocked accounts) (note 5)	159.0	— 16.5
	<u>761.3</u>	
<i>Total assets</i>	<u>1,166.5</u>	<u>+ 81.9</u>
 Shareholders' equity and liabilities		
<i>Shareholders' equity</i>		
Share capital	342.0	+ 114.0
Legal reserve	68.4	+ 22.8
Supplementary legal reserve	9.3	+ 5.7
Unappropriated earnings	41.1	— 42.1
	<u>460.8</u>	<u>+ 100.4</u>
<i>Total of shareholders' equity</i>		
<i>Reserve for future investments</i> (note 7)	102.9	— 14.5
<i>Long-term liabilities</i>		
Pension Foundations (note 8)	48.0	+ 5.1
Bond loan	48.2	—
Promissory loans and mortgage loans	21.9	+ 8.0
	<u>118.1</u>	
<i>Current liabilities</i>		
Suppliers	158.6	— 14.4
Advance payments from customers	50.1	— 4.6
Subsidiary companies	3.6	+ 0.8
Sundry short-term liabilities and provisions (note 9)	272.4	+ 1.1
	<u>484.7</u>	
<i>Total shareholders' equity and liabilities</i>	<u>1,166.5</u>	<u>+ 81.9</u>
 Securities pledged (note 10)	73.0	+ 0.2
Contingent liabilities	117.5	+ 75.8

Consolidated Accounts

The consolidated Profit and Loss Account together with the Consolidated Balance Sheet constitute with the introductory review of the Group's activities an integral part of the Volvo Annual Report. These are to be found on page 6—11.

Consolidated Balance Sheet

As was the case in previous years, the fixed assets in the Consolidated Balance Sheet have been converted at the rate of exchange not exceeding the average rate during the respective year of purchase, while current assets and debts have been converted at the rate of exchange applying at the end of the year.

Since Volvo and its Swedish subsidiary companies have ceased to include in the Balance Sheet capital expenditure decided upon likewise contracted goods together with corresponding commitments, complete conformity exists between the Consolidated Balance Sheet and that of the Parent Company.

After investments during 1966 amounting to kr. 177 million, the value of Group buildings and plant at the end of the year was as follows (in kr. million):

	Original cost	Deprecia- tion allocation	Net book amount
Property	494	249	245
Machinery, equipment and tools .	686	517	169
Additions to plant, etc., in progress	76	26	50
Total	1,256	792	464

Of the depreciation allocation, kr. 184 million represents the amount directly written down against the reserves for future investment.

Consolidated Profit and Loss Account

The dissolution of capital surpluses of older pension foundations, stipulated in accordance with current tax regulations to take place over a period of years, has now been completed entirely. For the companies concerned, the amounts transferred to the trading results during 1966 amounted to a total of kr. 1.0 million, compared to kr. 21.6 million in 1965.

The depreciation amount of kr. 82.2 million given in the Consolidated Profit and Loss Account includes the sum of kr. 1.7 million for extra depreciation over and above normal provisions.

The consolidated net profit, after depreciation provisions but before allocations and taxes, amounted to kr. 222.3 million (1965 = kr. 241.3 million), and among the 1966 profit allocations was included the Parent Company's writing down of shares.

The consolidated net profit for 1966 amounted to kr. 64.9 million. After the 1966 scrip issue of shares in the Parent Company and a couple of the subsidiary companies, likewise after deductions for proposed allocations to legal reserves and the dividend for the Parent Company, the consolidated balance of unappropriated earnings at the close of 1966 amounted to kr. 74.5 million (1965 = kr. 113.9 million). It should be particularly observed that a certain part of the consolidated earnings is subject to taxation upon being transferred to Sweden and that the possibilities of transferring earnings from abroad to the Parent Company can also be limited by currency restrictions.

AB Volvo Accounts

In the 1966 Annual Report an alteration was made involving the exclusion from the Balance Sheet of the value for investments decided upon and contracted goods together with corresponding commitments. In those cases where comparable values from previous years are presented, the altered accounting method is applied also to the years compared.

Balance Sheet

1. BUILDINGS AND PLANT

At the end of the financial year the position was (in kr. million):

	Original cost	Depreciation in 1966	Depreciation Account Charged to earnings	Depreciation Account From reserve for future investments	Net Book Amount	Ratable value	Fire insurance value
Property	63.4	0.1	1.6	34.9	26.9	23.2	—
Buildings and facilities	244.4	4.0	40.0	102.1	102.3	211.1*	296.3
Machinery, equipment and tools	434.0	47.0	321.2	5.7	107.1	—	755.3
Additions to plant, etc, in progress	52.3	—	—	25.6	26.7	—	18.8
Total	794.1	51.1	362.8	168.3	263.0	234.3	1,070.4

*) Includes a special machinery valuation of kr. 43.6 million. Buildings to a value of kr. 46.3 million had not yet been assessed for rating at the end of the year.

During 1966, investments in buildings and plant amounted to kr. 114.6 million. Of this figure, kr. 4.2 million was invested in factory sites and installations, kr. 51.2 million in buildings and facilities and kr. 59.2 million in machinery, etc.

Depreciation according to the normal provisions of the Company amounted to kr. 52.1 million. Of this sum, kr. 3.9 million pertained to plant value directly written down against the reserve for future investments. Maximum depreciations permitted in accordance with current tax law provisions were made in the accounts. According to the table above, these totalled kr. 51.1 million.

The depreciation account was also credited kr. 34.5 million from the reserve for future investments for the purpose of site preparation and buildings.

2. SHARES

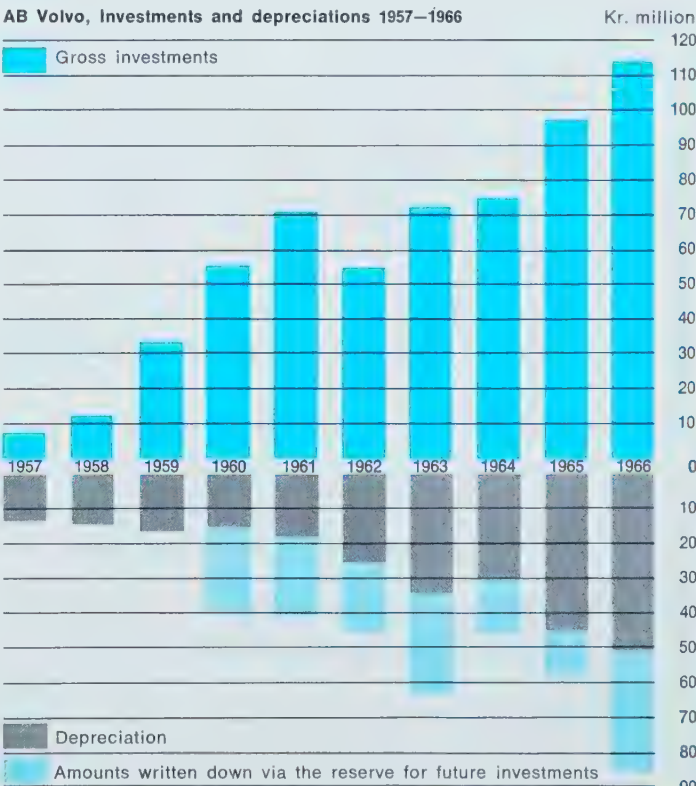
During the year, Volvo Umeverken was merged with the Parent Company. As a result of scrip issues, the share capital of the wholly-owned subsidiary companies, AB Bolinder-Munktll and OY Volvo-Auto AB, was increased without any alteration in Volvo's book value of the shares.

A new subscription to the value of DKr. 4 million was taken up in Volvo Bil A/S, and in Fastighets-AB Volvo-City to the value of kr. 450,000: —.

For activities in Peru, a new subsidiary company, Volvo Distribuidora S.A., was formed with a share capital of 10 million Soles.

Förvaltnings-AB Viveln and Kommanditbolaget Viveln, Förvaltnins-AB Viveln & Co, were acquired during the year as a step in the financing of new dealer premises housing a workshop, offices, etc.

The 1966 figures also include Volvo Umeverken after the merger. This is not the case concerning the 1965 figures, which are given for the sake of comparison in the Profit and Loss Account and Balance Sheet as well as in the Comments on the Account.



During the year, a finance company in Switzerland, Volvonía S.A., which had even contributed previously to the financing of Volvo Sales in that country, was acquired.

In connection with the transference of ownership in the Volvo dealer company in the Malmö area, AB Verdexa, Volvo acquired 25 % of the share capital.

During 1966, Volvo acquired from Bolinder-Munktell its shareholdings in the assembly company, Zamyad Co. Ltd., which holdings were increased still further by a new issue of shares to a value kr. 0.3 million.

Together with the Swedish Volvo dealers, Volvo formed a new service company, Aktiebolaget Volvokonsult.

In the 1966 accounts, the total book value of shares was written down at the amount of kr. 16.6 million. Of this amount, kr. 12.6 million was allocated for writing down of shares in AB Bahco at the stock market quotation on 31th December, 1966, of kr. 145:—, while the balance, kr. 4.0 million, was credited the general reserve account for the book value of the shares.

<i>Subsidiary Companies</i>		Nominal value in 1,000	Book amount kr. 1,000
Manufacturing companies:			
AB Bolinder-Munktell, Eskilstuna . . .	Sw.kr.	50,000	31,000
Köpings Mekaniska Verkstads AB, Köping	Sw.kr.	3,000	3,000
Svenska Flygmotor AB, Trollhättan . . .	Sw.kr.	22,500	5,313
Volvo Europa N.V., Ghent	Bfrs.	50,000	5,189
Volvo (Canada) Ltd., Toronto	Can. \$	200	960
Volvo del Peru S.A., Lima	S/.	4,000	382
Sales Companies:			
Ernst Nilson AB, Stockholm	Sw.kr.	5,000	12,000
Canvol AB, Gothenburg	Sw.kr.	5	5
Norsk Volvo A/S, Oslo	Nkr.	1,000	720
Volvo Bil A/S, Copenhagen	Dkr.	5,000	3,745
OY Volvo-Auto AB, Helsinki	Fmk.	2,500	649
Volvo GmbH, Dietzenbach	DM.	3,500	4,529
Automobiles Volvo S.A., Lyss	Sfrs.	3,000	3,595
Volvo Inc., Rockleigh, N.J.	US \$	800	3,774
Volvo Distribuidora S.A., Lima	S/.	10,000	1,900

Other Subsidiary Companies:

Försäkrings-AB Volvia, Gothenburg . . .	Sw.kr.	1,500	1,500
AB Volvo-Data, Gothenburg	Sw.kr.	5	5
Volvonía S.A., Geneva	Sfrs.	250	299
Fastighets-AB Volvo-City, Gothenburg	Sw.kr.	500	485
Förvaltnings-AB Viveln, Gothenburg . . .	Sw.kr.	5	5
Kommanditbolaget Viveln, Förvaltnings-AB Viveln & Co., Gothenburg	Sw.kr.		1,620
AB Vulcanwerken, Gothenburg	Sw.kr.	200	3,304
AB Volvo Penta, Gothenburg	Sw.kr.	5	5

Subsidiary companies 83,985

	Nominal value in 1,000	Book amount kr. 1,000
Non-Affiliated Companies:		
AB Volvofinans, Gothenburg	Sw.kr.	1,500
AB Volvokonsult, Gothenburg	Sw.kr.	200
AB Bil & Truck, Gothenburg	Sw.kr.	1,188
AB Verdexa, Malmö	Sw.kr.	375
AB Bahco, Stockholm	Sw.kr.	12,468
Fides A/S, Oslo	Nkr.	500
Zamyad Co. Ltd., Teheran	Rials	15,000
Adela Investment Co. S.A., Luxemburg	US \$	100
Diverse		—
Total		111,097
Deduct general reserve		8,500
Net book amount		102,597

3. STOCKS

The stocks specified below are evaluated in accordance with traditionally sound principles. The gross amounts for the physical stocks are based on the lower of cost or market value at the end of 1966. In accordance with previously applied procedure, adequate reserves were set aside for obsolescent goods.

	kr. million	
	1966	1965
Finished vehicles	118.4	68.3
Spare parts and other sales products	106.6	107.4
Production materials	253.5	271.7
Costs paid in advance	—	1.5
Total	478.5	448.8
Deduct:		
Reserve for obsolescent goods	27.7	26.0
Special stock reserve	—	1.5
General stock reserve	266.5	247.5
Total reserves	294.2	275.0
Net stock value as per Balance Sheet	184.3	173.8

The increased share of manufactured vehicles now earmarked for exports require a larger handling depot in Gothenburg where the vehicles are stocked while awaiting shipment. The depot stock of cars corresponded to approximately two week's production, which may be considered normal with the present rate of exports. At the end of the year, stocks of commercial vehicles were large. The 1966 stock of production materials also included those for Volvo Umeverken. All production companies were given the target of reducing stocks of production materials, a target which was more or less reached.

Of "costs paid in advance", the remaining amount kr. 1.5 million was written down. An equivalent sum was released from the special stock reserve.

The sum of kr. 13.5 million was transferred to the general stock reserve which, at the end of the year, amounted to kr. 266.5 million, this corresponding to 60 % of current stocks.

4. ACCOUNTS RECEIVABLE

At 31th December, 1966, accounts with trade debtors, subsidiary companies, etc., amounted to kr. 277.4 million and are specified as follows:

	kr. million	
	1966	1965
Trade debtors	146.6	111.5
Accounts with subsidiaries	91.6	96.6
Sundry debtors	53.3	39.7
	291.5	247.8
Reserve for doubtful debts	14.2	10.6
Net	277.4	237.2

Increased exports in combination with longer export credits on certain markets was the principal reason for the increase in trade debtors. Of the gross amount involved, kr. 291.5 million,

slightly more than kr. 200 million concerned such accounts from abroad. These increased during the year by the sum of approximately kr. 30 million.

The reserve for doubtful debts was reduced during the year by kr. 2.4 million, this amount corresponding to repaid debts previously written down and also kr. 0.1 million for definitely established losses. On the other hand, however, the reserve was increased by kr. 6.1 million for debts judged to be doubtful at the end of the year. The reserve for doubtful debts at 31th December, 1966, included kr. 1.1 million concerning two of the foreign subsidiary companies.

5. CASH AT BANKS AND IN HAND

In spite of the addition of kr. 68.4 million from the 1966 new share issue, liquid assets were reduced by kr. 16.5 million. Of this amount, kr. 10.6 million corresponded to a deposit in the investment account with Sveriges Riksbank. Short-term loans were increased during the year by kr. 10.4 million.

A balance on deposit account served as a general security for certain loans and bank guarantees, which together amounted to kr. 25.2 million at the end of the year. In addition, kr. 25.8 million was blocked as security for advance payments received from customers.

6. SHARE CAPITAL AND SHAREHOLDERS

The following table shows how the shares were distributed between different groups of shareholders, the figures being based on the payment of dividends during 1966.

	Number of shareholders	In % of all shareholders	Owning shares to a total of	In % of share capital	Average holdings per shareholder
Owning a maximum of 10 shares	12,968	28.3	86,631	1.9	6.7
Owning 11 to 100 shares	23,371	51.0	896,927	19.7	38.4
Owning 101 to 1,000 shares	7,586	16.6	1,976,472	43.3	260.5
Owning 1,001 to 10,000 shares	386	0.9	805,887	17.7	2,087.8
Owning more than 10,000 shares	15	0.0	685,855	15.0	45,723.7
Unpresented coupons, approx.	1,500	3.2	108,228	2.4	72.2
Total approx.	45,800	100.0	4,560,000	100.0	99.5

7. RESERVE FOR FUTURE INVESTMENTS

The reserve for future investments, which amounted to kr. 117.4 million at the beginning of the year, was utilized to the extent of kr. 34.5 million during 1966. Allocated to the reserve from the year's earnings was the sum of kr. 20.0 million. At 31st December, 1966, the reserve amounted to a total of kr. 102.9 million. Of this amount, approximately kr. 37 million may, in accordance with permission granted by the Swedish Government, be utilized for the writing down of investments in Torslanda, Skövde and Arvika.

8. PENSION FOUNDATIONS

The capital of the AB Volvo Pension Foundation was in excess of the Company's pension commitments. As a result of current tax regulations, the Company disposed of the surplus for requisite allocation to the PRI-Foundation.

The capital of the pension foundations was altered during the year according to the following table:

	kr. million	
	AB Volvo Pension Foundation	PRI- Foundation
Company liabilities at 1st January, 1966	19.3	23.6
Liabilities assumed from Umeverken	—	0.2
Interest for 1966	1.2	—
Total	20.5	23.8
Transferred to the PRI-Foundation	— 2.4	+ 6.1
Company liabilities at 31st December, 1966	18.1	29.9

Disbursed pensions were charged to the year's earnings.

9. SUNDRY SHORT-TERM LIABILITIES AND PROVISIONS

Included under this heading were the following entries:

	kr. million	
	1966	1965
Taxation		18.8
Proposed dividend	23.9	17.8
Sundry liabilities	123.8	108.0
PV-Guarantee	91.1	98.4
Sundry provisions	33.6	28.2
Total	272.4	271.3

The 1965 tax liabilities amounting to kr. 18.8 million were converted in 1966 into a tax refund claim of kr. 0.6 million and were included under "Sundry Debtors".

Sundry liabilities consisted of such commitment as arrears of wages, pay-as-you-earn tax deductions and purchase-tax arrears for motor vehicles.

Approximately kr. 56 million of the PV-Guarantee allocation can be looked upon as a long-term liability. The sundry provisions include reserves set aside for the factory guarantee as well as for internal profits on the stocks of Volvo products at the Company's foreign subsidiaries.

10. SECURITIES PLEDGED AND CONTINGENT LIABILITIES

Securities pledged:	kr. million
Property (of which kr. 2.0 million in subsidiary companies)	19.0
Stock, machinery, equipment	3.0
Blocked bank accounts	51.0
Total	73.0

(1965 = 72.8)

Contingent liabilities:

Repurchase guarantees	37.4
Sundry contingent liabilities	80.1
Total	117.5

(1965 = 41.7)

The repurchase guarantees, which are given to banks abroad and finance institutes as securities against their financing of subsidiary companies to cover the latter's existing stocks of finished vehicles, have been previously included in the Balance Sheet liabilities and commitments in respect of contracted goods.

Profit and Loss Account

Before allocations to the general stock reserve and the reserve for future investments, profits amounted to kr. 136.0 million. Prior to this, earnings had been depleted by writing down of shares (kr. 16.6 million) but had been credited restored depreciations (kr. 1.0 million) and the disbursed pension foundation capital surplus (kr. 0.9 million). Earnings were also burdened with a Group subsidy of kr. 2.9 million to Köpings Mek. Verkstads AB, kr. 2.1 million of which amount was used by this company for increased consolidation. The above-mentioned items have been considered in the analysis of trading results on page 13 as profit-regulating allocations.

11. GENERAL ADMINISTRATIVE EXPENSES

Included in the administrative and selling expenses are the general administrative expenses amounting to kr. 5.2 million, which amount was calculated in accordance with previous practice.

12. DIVIDENDS AND INTEREST RECEIVED

	kr. million	
	1966	1965
From Group Companies:		
Dividends	16.6	5.8
Interest	6.6	5.3
Total	23.2	11.1

From other sources:

Dividends	1.3	0.6
Interest	22.8	24.2
Total	24.1	24.8

13. INTEREST COSTS

Group Companies	0.3	0.2
To others	7.5	9.2
Total	7.8	9.4

14. SUNDRY COSTS

This item includes costs for the 1966 share issues at a value of kr. 4.5 million.

AB Volvo 1962–1966

(amounts in kr. million)

SUMMARY OF RESULTS	1962	1963	1964	1965	1966
Number of vehicles sold	103,411	116,750	127,606	145,136	145,262
Sales	1,300.4	1,465.1	1,636.5	1,882.0	1,997.8
Profit before depreciation, allocations and taxes	154.5	219.4	223.2	217.1	205.7*
in % of sales	11.9	15.0	13.6	11.5	10.3
Depreciation according to plan	19.1	26.8	31.2	42.8	52.1
Disposition of earnings	66.8	72.1	69.5	52.7	51.1
Taxes	38.6	60.2	60.0	58.3	46.7
Net profit	30.0	60.3	62.5	63.3	55.9
Dividend	10.3	13.7	13.7	17.8	23.9
Wages and salaries	162.2	184.7	216.9	283.6	324.3

*) Extra tax allocations during the period 1962—1965 amounted to kr. 10.3 million but were terminated in the 1966 Annual Report and credited the results. See Comments on the Accounts, page 14.

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Source of Funds

<i>Operations</i>					
Net profit	30.0	60.3	62.5	63.3	55.9
Add charges not requiring funds:					
Depreciation etc.	26.3	34.9	31.5	45.1	68.3
Alterations to pension foundation, general stock reserve and allocation to reserve for future investments	62.8	60.4	70.4	50.4	38.3
Total funds from operations	119.1	155.6	164.4	158.8	162.5
Increase of shareholders' equity through new share issue	34.2	—	—	—	68.4
Increase of long-term liabilities incl. part of PV-Guarantee provisions	2.6	5.7	2.1	7.6	5.8
Total funds received	155.9	161.3	166.5	166.4	236.7

Application of Funds

Dividend	8.6	10.3	13.7	13.7	17.8
Investments in buildings, machinery and equipment	55.1	73.4	74.9	98.2	114.6
Net increase in shareholdings, long-term accounts	3.4	9.9	41.6	31.3	13.0
Increase (decrease) of blocked accounts in Sveriges Riksbank	(20.9)	1.8	(2.0)	2.9	10.6
Total funds applied	46.2	95.4	128.2	146.1	156.0
Net increase (net decrease) in working capital	109.7	65.9	38.3	20.4	80.8
Of which stocks, debtors and short-term liabilities net	(21.1)	(52.4)	62.5	97.2	87.1
Cash assets and investments	130.8	118.3	(24.2)	(76.8)	(6.3)

VOLVO PENTA

Sales of Volvo marine and industrial engines are under the administration of AB Volvo Penta, whose turnover and trading results are included in AB Volvo's accounts.

Sales

During the first half of 1966, the demand for Penta products continued to increase, but the second half was characterized by a certain falling off. The backlog of orders at the end of the year was somewhat lower compared to the corresponding period in 1965.

Volvo Penta increased its sales during the year by 29 % to kr. 108.5 million, as against kr. 84.1 million for 1965. Sales on the different markets were as follows:

	1966	1965	Alteration in %
Sweden	31.5	26.9	+ 16.9
Scandinavia (excl. Sweden), Fin- land and Iceland	20.6	14.1	+ 46.0
Europe, excl. countries above . .	20.5	17.6	+ 17.1
USA and other markets	35.9	25.5	+ 40.9
Total	108.5	84.1	+ 29.1

The sales increase in Sweden was principally confined to engines used for industrial purposes. A proviso for this sale increase was the extension of the diesel engine production capacity carried out during 1965.

Exports rose to kr. 77.0 million from kr. 57.2 million, which meant an increase of 34 %. Of total deliveries, 71 % concerned exports. Sales within the EEC and EFTA countries were as follows:

	1966	1965	Alteration in %
EEC	11.7	10.1	+ 16.1
EFTA	24.7	17.9	+ 37.9

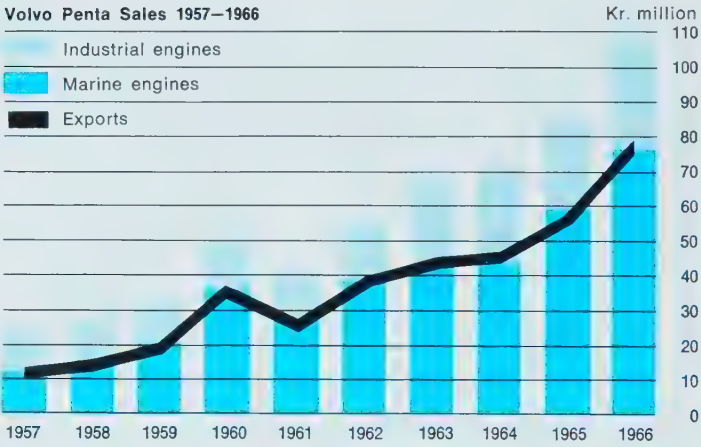
Sales to the neighbouring Scandinavian countries developed favourably, principally as a result of the expanding boat production in Norway and Denmark, but also the industrial sector in Norway showed a sharp upswing.

Concerning the European Continent, deliveries increased to Austria, Italy, Greece and Germany, while there was a slight decrease in sales to France and Switzerland.

Deliveries of the Aquamatic unit to USA increased from kr. 9.5 million to kr. 16.3 million.

Sales on the Latin America market developed satisfactorily. The largest increases were noted in Argentina, Colombia and Mexico.

The modernization of the fishing industry in the Far East resulted in increased deliveries of marine engines to these markets. During the year, Thailand started a national irrigation programme and contracted with Volvo Penta for deliveries of irrigation units over a period of 10 years.



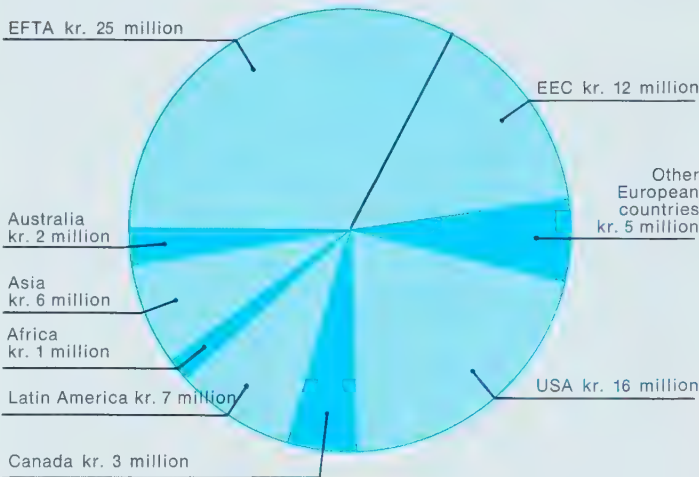
The year 1966 saw the introduction of the Aquamatic 120/200 with an output of 120 h.p. This engine is intended to meet the increased output requirements for both large crafts as well as small speedboats.



Product Development

During the year under review, the Aquamatic 120 unit was developed with a higher output. Also, a turbo-supercharged marine diesel engine with type designation TMD 70 was introduced and is intended for large and speedy pleasure boats. The two-cylinder marine diesel engine was further developed and approved as a lifeboat engine by the international classification societies.

Volvo Penta exports 1966 Total exports kr. 77 million



The Volvo Penta power pack is delivered to the Middle East for driving irrigation pumps.



Activities of the Subsidiary Companies

Sweden

The Annual Report of AB Bolinder-Munktel is to be found on pages 33—40. Concerning Svenska Flygmotor Aktiebolaget, however, the Profit and Loss account, Balance Sheet and Commentaries on the Account together with an extract from the Management Report are contained in this Report on pages 41—44.

The 1966 dividends for these companies will be taken up by Volvo in the 1967 final accounts, but as regards Svenska Flygmotor Aktiebolaget, only five-eighths will be taken up, this corresponding to Volvo's shareholdings in this company.

AB Volvo Penta's sales and results are included in the Volvo Activities. A commentary on AB Volvo Penta activities is to be found on pages 30—31.

The 1966 turnover for Köpings Mek. Verkstads AB amounted kr. 31.8 million, as against kr. 32.6 million in 1965, a reduction of 2 %.

The overall slowing down of investment activities was reflected in the reduced influx of orders and deliveries of machine tools. A reorganization of the company's production aimed at increased output of parts supplied to the Volvo Group was instrumental in providing new projects. During 1966, the running-in costs for these projects were debited the results. Trading results showed a loss of kr. 0.8 million before allocations and this was covered by a Group subsidy from Volvo. No dividend will be issued by the company. The policy continues of limiting the range of machine tools as well as stepping up production for the Group, and this will mean further running-in and readjustment costs.

The premium income of the Volvia Insurance Company increased and the results of the insurance activities improved. Contributing to this was partly a more favourable rate of claims made, due to lower average compensation costs and a reduction in damage incidence, and partly somewhat dearer premiums in combination with increased excess insurance.

After extra allocations to the insurance fund, a net profit similar to the previous year was reported and an unchanged dividend is proposed.

Ernst Nilson AB, which is the Volvo dealer company in central Stockholm, reached a somewhat larger turnover than for 1965. However, the less congenial car trade during 1966 has meant smaller margins. A rationalization and cost-adaptation programme was started but was unable during 1966 to counterbalance increased wages and salaries and other rises in costs. The trading results showed a loss, which was covered by a withdrawal of some capital from the general stock reserve. No dividend is proposed for 1966.

Abroad

The production company in Belgium, Volvo Europa N.V., increased its assembly output of cars and trucks.

During the year, 8,236 cars were delivered compared with 5,551 units from the previous year. Deliveries of trucks rose to 1,791, from 1,122 in 1965.

Deliveries of completed units, principally intended for

countries within the EEC-bloc, were made to a sales value corresponding to kr. 136 million, an increase from 1965 of kr. 49 million or 56 %.

The number of employees increased by 44 and amounted to 512 at the end of the year.

The trading results showed a surplus and a dividend will be paid for the first time.

All the sales companies in Finland, Norway and Denmark increased their turnover, which was particularly large in Denmark. In the neighbouring Scandinavian countries, Volvo's market share of cars and commercial vehicles increased.

Shortage of domestic capital limits to a certain extent the possibilities of still more rapid expansion of Volvo in these countries, which are looked upon as belonging to the Company's home market.

All three subsidiary companies returned satisfactory results, thus permitting the payment of a dividend to the Parent Company.

Both the German and the Swiss subsidiary companies increased their sales during the year. The introduction of the new Volvo trucks continued and the new car model was presented at the end of the year. Costs related to these introductions by the Germany subsidiary were defrayed by the Parent Company. The results of these companies do not permit a dividend payment for 1966.

For the subsidiary companies in USA, 1966 was a new record year. Sales amounted to about kr. 350 million, after an increase from 1965 of 48 %. The trading results, which already in 1965 were extremely satisfactory, improved still further. During 1966, an interim dividend covering the first half of the year 1966 was issued in addition to the ordinary dividend for 1965.

The year 1966 was also a successful one for the subsidiary company in Canada where sales continued to increase and trading results improved. Consequently it will be possible to issue an increased dividend.

Assembling of trucks in newly acquired premises was started during the year at Volvo del Peru S.A. Sales and distribution were taken over at the same time by a newly formed, wholly-owned subsidiary company, Volvo Distribuidora S.A. Sales within the country were more than doubled and results were satisfactory. The difficulty in acquiring capital in Peru for the growing hire-purchase sales can eventually place difficulties in the way of continued expansion.

Aktiebolaget Bolinder-Munktel

Board: Gunnar Engellau (chairman), Hilding Melin, Franz Hartmann, Svante Simonsson, Stig Janson, Rune Hellerqvist, John Engellau (managing director)

Management Report

A characteristic feature of Company sales during 1966 was the stagnating demand on the market for agriculture machinery but the continued, sharply increased, demand for its other products. The turnover figure reached kr. 481 million and increased from 1965 by 11 %.

The first half of 1966 was marked by an extremely high turnover in personnel and a noticeable shortage of manpower. The manpower position stabilized itself during the latter half of the year. Towards the end of 1966, there was less demand for agriculture machinery as a result of which it was not possible to avoid increased stocks at that time. Stocks of completed products were also influenced by the Company's increased range of industrial machines; machines such as loaders, hydraulic excavators, dumper vehicles and forestry machines.

Rationalization and the raising of sales prices were quite unable to counterbalance the considerable increases in wages and salaries as well as certain increases in the prices of materials. The trading results were, moreover, affected by greater efforts concerning exports and more intensified product development compared to the previous year.

Sales in Sweden

Sales on the Swedish market amounted during 1966 to kr. 318 million. This figure included deliveries to AB Volvo at a value of kr. 25 million. The sales value represented an increase of kr. 28 million or 10 %.

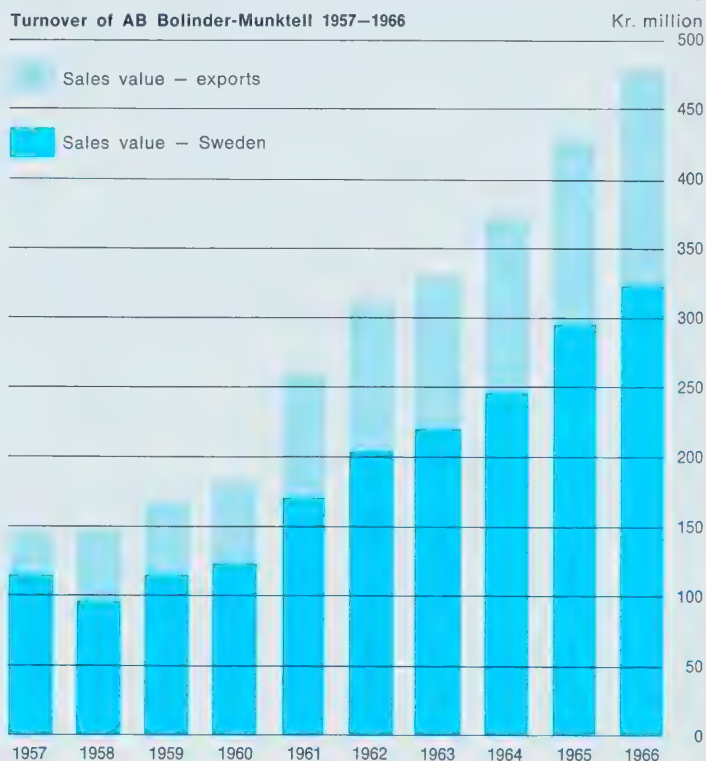
Overall sales of tractors for Swedish agriculture suffered a set-back during 1966. The principal reason for this was the relatively poor harvest results in certain parts of the country. A total of 12,418 tractors were registered in Sweden, compared with 13,293 during 1965. The Company maintained its share of registered tractors at approximately the same level as for the previous year, that is, 41.0 % for 1966 compared with 41.6 % for 1965. The Company's sales value for agricultural tractors was influenced by this development on the market and was less compared with that for 1965.

The general restraint concerning purchases of agricultural machinery resulted in a certain reduction in the Company's deliveries of combine harvesters to the Swedish market. A new combine harvester, S 950, was introduced during the year.

Sales of industrial machines showed a powerful expansion. The new loading machine programme presented at the end of 1965 was given a good reception on the market and was in great demand. The range of forestry tractors and dumper vehicles was extended by the inclusion of new machines and increased considerably in turnover. The sales value for the entire group of industrial machines increased from 1965 by 55 %. These products were responsible for 64 % of the value of overall tractor deliveries to the Swedish market. Only to a limited extent were they included in the tractors registered. Deliveries of road graders remained unchanged between 1965 and 1966.

Within the framework of orders placed previously, deliveries of track-laying military vehicles were also made during 1966

Turnover of AB Bolinder-Munktel 1957-1966



to the Swedish Army, from which certain new orders were received.

Export Sales

Total export deliveries amounted to a value of kr. 163 million. This constituted an increase of kr. 21 million or 15 % from 1965. Of the total turnover for the Company, exports comprised 34 %.

The demands on the various export markets revealed a marked divergence of development. As the result of a troublesome economic situation, deliveries to Great Britain were reduced. In consequence of anticipated import difficulties in Finland, manufacturing under licence was started of the Company's smallest agricultural tractor, T 400, in co-operation with Oy Fiskars AB, Borgå. Deliveries of both agricultural tractors and industrial machines to Denmark and Norway increased. An order was received from the Norwegian Army for track-laying military vehicles which, however, will be delivered first after 1966. Loaders and certain other industrial machinery met with success on a number of both European and overseas markets.

The development of deliveries to the EFTA and EEC countries was as follows (export value in kr. million):

	1966	1965
EFTA incl. Finland	73.3	69.9
EEC incl. Greece	44.7	36.8

Product Development

The hitherto largest agricultural tractor, T 470, was replaced at the end of 1966 by an entirely new tractor, T 800. The T 800 unit has a newly developed Volvo 106 h.p. Diesel engine and is intended for highly modernized farms.

The continuous development work within the combine harvester sector successfully resulted during the year in the S 950, the new large self-propelling harvester which is powered by a 98 h.p. Volvo Diesel engine.

Considerable effort was devoted to the development of new machines for forestry lumbering operations. The Company's rugged tractor constructions have shown themselves extremely suitable for forestry transportation work. Development work in collaboration with the forestry industry continued and resulted during 1966 in a new 4-wheel driven, heavy-duty, articulated forestry transporter, SM 871. In collaboration with Östbergs Fabriks AB, the first examples of the forestry tractor, SM 460, a track-laying articulated tractor, was produced during the latter half of 1966.

Buildings and Plant

The reorganization of the Arvika Factory, which is chiefly concerned with the production of track-laying military vehicles, loaders and forestry machines, developed a stage further by the completion of a new assembly workshop covering an area of 8,100 sq. metres (9,690 sq. yards). Capital from the reserve for future investments was allocated by special permission for the writing down of this new investment. For purposes of future expansion in Arvika, an area of 70,900 sq. metres (84,800 sq. yards) was acquired adjoining the Company's present property.

In Hallsberg, the building of a new drawing office and development laboratory was completed.

The new head office in Eskilstuna was taken into use at the end of 1966. Modification work was started on old offices intended to cater for the expansion of the design departments. The second stage of the new hardening plant construction was begun during the autumn.

The Company's acquisition of industrial sites in Hällby, west of Eskilstuna, was completed by the purchase of a small agricultural property. This increased the amount of land owned by the Company in Hällby to a total 2,400,000 sq. metres (2,870,000 sq. yards).

As a result of damage by fire, certain old production premises and considerable storehouse space were destroyed at the Company's plant in Valla. However, troublesome interruptions to operations could be avoided by the temporary transference of part of the production.

Of investment projects decided upon, there remained to pay at the end of the year about kr. 31 million, a reduction of kr.

9.0 million compared with the same period from the previous year.

Companies Abroad

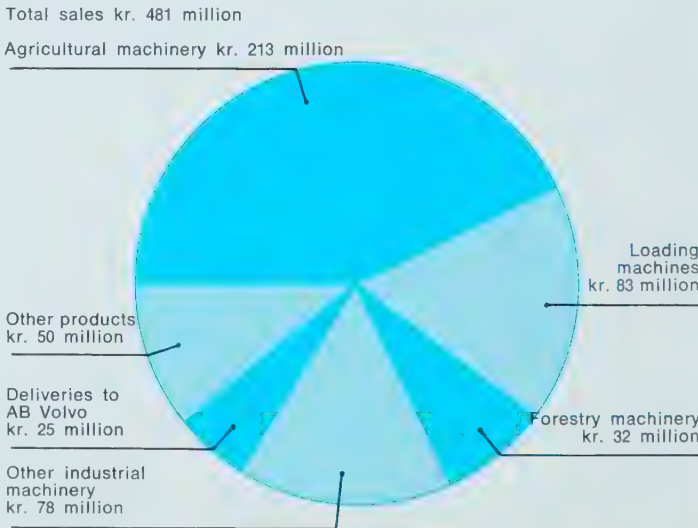
The Norwegian subsidiary company, Bolinders Norske A/S, increased considerably its sales of industrial machinery and road graders as well as that of Volvo-Penta engines so that the annual turnover reached Nkr. 41 million. It was possible to report a good profit. Erection work was started on new buildings in Oslo which will house a workshop, stores and offices.

Volvo-Traktor A/S, Denmark expanded its dealer network for agricultural tractors and industrial machinery. The turnover increased to Dkr. 19 million and produced satisfactory results.

Volvo-Bolinders S.A., France, increased its sales products manufactured by both Bolinder-Munktell and AB Volvo. Large deliveries of trucks and tractors were responsible for the increase. The turnover, excluding purchase-tax expenses, amounted to Fr. 79 million. Company profit margins were reduced by tariff discrimination and stiff competition. Considerable costs for the continued expansion of the Volvo sales organization in France were charged to the 1966 earnings. The new installation west of Paris for housing a workshop, spare parts stores and an office was completed and taken into use during the year. Activities concerning the importation of all completed products were moved to premises west of Paris which were acquired in 1965. The abnormally high costs encountered during the year in connection with the taking over of new premises resulted in the company showing a loss.

A new subsidiary company was formed in West Germany, BM-Volvo Maschinen GmbH, which is situated in Dietzenbach where the company hires premises from AB Volvo's subsidiary company. The ordinary share capital amounts to DM 250,000. The company will principally market the industrial machines produced by Bolinder-Munktell.

AB Bolinder-Munktell sales per product group during 1966



Employees

The average number of employees was as follows:

	1966	1965
Salaried employees	1,569	1,475
Wage earners	3,300	3,150
Total	4,869	4,625

Wages, salaries and other emoluments during the year amounted to kr. 98.6 million, of which kr. 0.5 million went to the Board and Management, kr. 41.2 million to the remaining salaried employees and kr. 56.9 million to wage earners.

The costs fixed by social benefits, prescribed by law or through collective agreements, such as social benefits, pensions, holidays with pay, etc., amounted during 1966 to the considerable sums specified below:

	kr. million
Annual and public holiday wages (included in the amounts given above)	9.8
Pension costs	8.4
Insurance contributions	1.8
Total	20.0
	(1965 = 17.0)

In addition to these obligatory undertakings, costs were also borne by the Company for training and education, health control, etc.

Disposition of Earnings

The result of the Company's activities during 1966 and its position at the end of the year are shown in the accompanying

Profit and Loss Account together with the Balance Sheet and the Comments on the Accounts.

According to the drawn up Consolidated Balance Sheet, the consolidated profits of the Parent Company and subsidiaries amounted for 1966 to kr. 5,196,000: —. The total unappropriated earnings of the Group, after legally prescribed allocations to reserves and provisions for the 1966 dividend to the Parent Company, amounted to kr. 3,479,000: —.

	kr. 1,000
Available for disposition by the General Meeting:	
Balance of unappropriated earnings	1,276
Profit for the year	5,870
Total	7,146

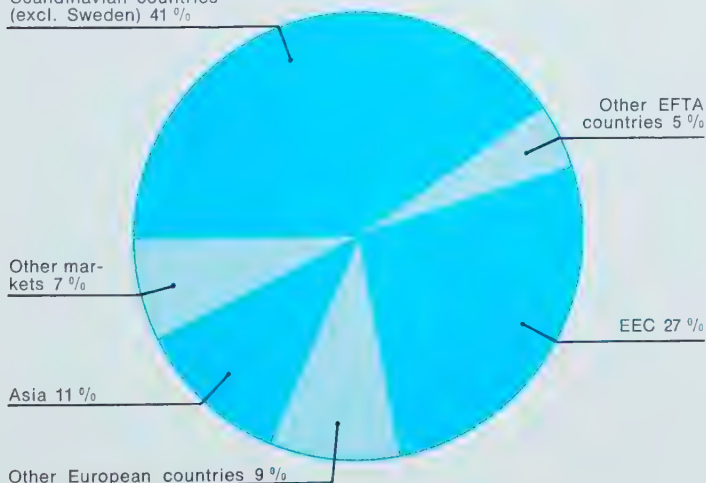
The Board and Managing Director propose that the above amount be disposed according to the table below. Given also for the purpose of comparison are the 1965 corresponding amounts approved by the General Meeting.

	kr. 1,000	
	1966	1965
To the legal reserve	600	970
To the share capital via the scrip issue	—	5,000
6 % dividend	3,000	3,000
To unappropriated earnings account .	3,546	1,276
Total	7,146	10,246

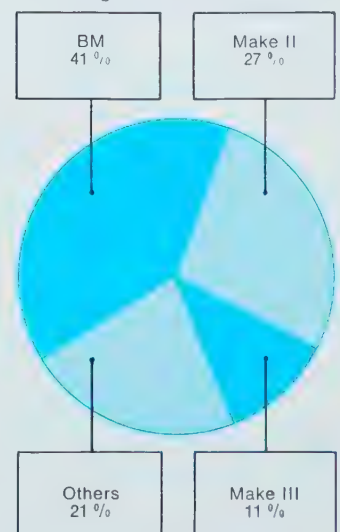
The proposed disposition of earnings has been included in the Profit and Loss Account for the year. The Balance Sheet shows the position on the assumption that the General Meeting approves the proposal of the Board and Managing Director concerning the distribution of earnings.

AB Bolinder-MunkteLL exports to the various markets during 1966

Total exports kr. 163 million
Scandinavian countries
(excl. Sweden) 41 %



Registration statistics 1966, Sweden
Agricultural tractors



Profit and Loss Account for 1966 and balance of unappropriated earnings

(amounts in kr. million)

	1966	Alterations from previous year
<i>Sales</i>	480.8	+ 49.3
<i>Cost of products sold</i> including maintenance, repairs, depreciation, type development costs, etc., and guarantee costs	410.7	+ 54.2
	70.1	— 4.9
<i>Less: Administrative and selling expenses</i>	38.9	+ 5.1
<i>Trading profit</i>	31.2	— 10.0
<i>Miscellaneous income</i>		
Dividends from subsidiaries	0.5	+ 0.5
Interest (of which 0.6 from subsidiaries)	6.0	+ 0.3
Cash discounts received	1.3	+ 0.1
Profit on sale of fixed assets	0.2	+ 0.2
Accounts recovered previously written off	1.2	— 1.1
Sundry income	4.9	+ 1.1
	14.1	+ 1.1
	45.3	— 8.9
<i>Miscellaneous costs</i>		
Interest	5.1	+ 0.9
Loss on sale of fixed assets	—	— 0.5
Sundry costs	1.6	+ 0.4
	6.7	+ 0.4
	38.6	— 9.7
<i>Allocated to</i>		
General stock reserve	23.3	+ 10.0
Reserve for future investments	6.0	— 8.0
	29.3	— 8.0
	9.3	— 11.7
<i>Taxes on income</i>	3.5	— 7.9
<i>Net profit for 1966</i>	5.8	— 3.8
Balance of unappropriated earnings at beginning of year	1.3	
At the disposal of the General Meeting	7.1	
<i>Less, according to the recommendations of the Board and Managing Director:</i>		
Allocation to the legal reserve	0.6	
Dividend	3.0	
	3.6	
<i>Balance of unappropriated earnings at 31st December, 1966</i>	3.5	

Balance Sheet as at 31st December, 1966

(amounts in kr. million)

Assets	1966	Alterations from previous year
<i>Fixed assets</i>		
Property, machinery and equipment (note 1)	64.9	+ 8.6
Shares and stockholdings (note 2)	9.1	— 0.7
Long-term loans (of which 1.6 to subsidiaries)	5.4	— 0.6
<i>Investment account with Sveriges Riksbank</i>	3.0	— 1.2
<i>Current assets</i>		
Stocks (note 3)	76.5	+ 15.1
Trade debtors (of which 22.5 in exchange bills)	80.7	+ 10.6
Accounts with subsidiaries	25.9	+ 4.3
Sundry debtors	11.0	+ 3.1
Short-term loans and investments	10.0	— 10.0
Cash at banks and in hand (of which 13.5 on blocked accounts) (note 4)	15.8	— 9.5
<i>Total assets</i>	302.3	+ 19.7
Shareholders' equity and liabilities		
<i>Shareholders' equity</i>		
Share capital	50.0	+ 5.0
Proposed scrip issue	—	— 5.0
Legal reserve	7.8	+ 0.6
Unappropriated earnings	3.5	+ 2.2
<i>Total shareholders' equity</i>	61.3	+ 2.8
<i>Reserve for future investments</i> (note 5)	28.6	+ 2.0
<i>Long-term liabilities</i>		
Pension Foundations (note 6)	39.1	+ 1.5
Social benefits fund	0.1	—
Bond loan	13.0	— 0.5
Group companies (of which 1.0 concerns subsidiaries)	5.0	—
Promissory loans and mortgage loans	28.3	+ 0.7
<i>Current liabilities</i>		
Suppliers	41.5	+ 8.4
Advance payments from customers	22.9	+ 9.1
Group companies (of which 0.4 concerns subsidiaries)	10.2	— 2.0
Sundry current liabilities and provisions	52.3	— 2.3
<i>Total shareholders' equity and liabilities</i>	302.3	+ 19.7
Securities pledged (note 8)	107.6	+ 8.4
Contingent liabilities	40.1	+ 11.5

Comments on the Accounts

An alteration has been made in the 1966 Annual Report to the effect that the value of investments decided upon and contracted goods together with corresponding commitments is

not included in the Balance Sheet. In those cases where comparable values from previous years have been presented, the alteration has also been made for the year compared.

The Balance Sheet

1. BUILDINGS AND PLANT

At the end of the financial year the position was (in kr. million):

	Original cost	Depreciation in 1966	Depreciation Account Charged to earnings	From reserve for future investments	Net book amount	Rateable value	Fire insurance value
Factory sites and installations	7.1	—	0.2	0.8	6.1	5.9	—
Buildings and facilities	61.2	1.2	19.7	11.3	30.2	43.0*	126.1
Machinery, equipment and tools	107.9	10.0	84.2	1.8	21.9	—	233.3
Additions to plant, etc. in progress	6.7	—	—	—	6.7	—	6.2
Total	182.9	11.2	104.1	13.9	64.9	48.9	365.5

*) Buildings to a value of kr. 16.7 million had not yet been assessed for taxation at the end of the year.

Depreciation during the preceding year

10.3

The 1966 depreciation amount included kr. 0.4 million for extra depreciation over and above the Company's normal provision (extra depreciation for 1965, kr. 1.3 million).

Capital expenditure during the year amounted to kr. 24.5 million.

2. SHARES AND STOCKHOLDINGS

Specification of holdings:

	Nominal value of shares in 1,000	Book amount kr. 1,000
<i>Subsidiary companies</i>		
Walla Lantbruksmaskiner AB, Valla . Sw.kr.	125	32
Bolinders Norske A/S, Oslo Nkr.	2,000	723
Volvo Traktor A/S, Copenhagen . . . Dkr.	199	150
Volvo-Bolinders S.A., Paris FF	9,500	7,535
BM-Volvo Maschinen GmbH, Dietzenbach DM	250	324
Other shares in Swedish subsidiary companies (not specified here) . . .		152
Other shares and stockholdings in foreign subsidiary companies (not specified here)		—
Subsidiary companies		8,591
<i>Non-affiliated companies</i>		
Miscellaneous shares (not specified here)		181
Total		9,097

Shares in Zamayd Co. Ltd. were transferred during the year to AB Volvo.

3. STOCKS

The stocks shown below have been evaluated in accordance with traditionally sound principles. The gross amount of the physical stocks is based on the lower of cost or market value as at the end of the year. In accordance with previously applied principles, adequate reserves were set aside to cover obsolescent goods.

	kr. million	
	1966	1965
Finished products	69.8	50.2
Spare parts	21.8	18.2
Production material	109.8	92.6
Total physical stocks	201.4	161.0

Deduct:

Reserve for obsolescent and slow-moving goods	10.1	8.1
General stock reserve	114.8	91.5
Total reserves	124.9	99.6

Net stock value as per Balance Sheet

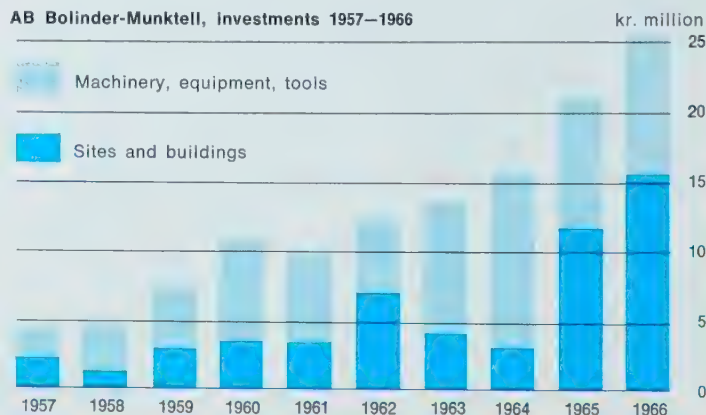
76.5 61.4

At the end of the year, the general stock reserve corresponded to 60 % of current stocks.

4. CASH AT BANKS AND IN HAND

Of the cash assets, the amount kr. 13.5 million was blocked as security for advance payments received from customers, etc.

AB Bolinder-MunkteLL, investments 1957—1966



5. RESERVE FOR FUTURE INVESTMENTS

	kr. million
The reserve for future investments amounted at 1st January, 1966 to	26.6
Further allocations during the year	6.0
Total	32.6

During 1966 the reserve for future investments was utilized to the extent of 4.0

Balance at 31st December, 1966 28.6

Of the amount kr. 4.0 million drawn from the reserve for future investments, kr. 3.5 million was used for direct writing down of building investments and kr. 0.5 million for site preparation costs in Arvika.

6. PENSION FOUNDATIONS

The total capital of the Company's pension foundations was, at the end of year, approximately the same as the value of the so-called "withdrawal limit" so further dissolutions corresponding to disbursed ATP contributions were not implemented.

	kr. million	
	General Free Pension Foundation	PRI Foundation
Company liabilities at 1st January, 1966	25.7	11.9
Interest for 1966	1.5	—
Total	27.2	11.9
Transferred to the PRI Foundation	— 2.1	+ 2.1
Company liabilities at 31st December, 1966	25.1	14.0

Disbursed pensions were charged to the year's earnings.

7. SUNDRY CURRENT LIABILITIES

In the Balance Sheet the amounts entered as sundry current liabilities and provisions comprehended:

	kr. million	
	1966	1965
Taxation	—	9.0
Proposed dividend	3.0	3.0
Miscellaneous liabilities	31.1	27.8
Provisions	18.2	14.8
Total	52.3	54.6

Tax refund claims for 1966, kr. 3.2 million, were included under "Sundry debtors".

8. SECURITIES PLEDGED AND CONTINGENT LIABILITIES

	kr. million	
	1966	1965
Securities pledged — own:		
Property	46.0	34.5
Stock, machinery, equipment	48.1	48.1
Blocked bank deposits	13.5	16.6
Total	107.6	99.2
Contingent liabilities:		
Discounted bills	10.3	2.1
Miscellaneous	29.8	26.5
Total	40.1	28.6

BM · Volvo Bison 800 is a new heavy-duty tractor in the 100 h.p. class. It was introduced on the Scandinavian markets in 1966.



Profit and Loss Account

Included in the administrative and selling expenses are the general administrative expenses to the amount of kr. 2.5 mlilion, which amount was calculated in accordance with previous practice.

Statement of Source and Application of Funds

SOURCE OF FUNDS (amounts in kr. million)

Operations	1964	1965	1966
Net profit	8.0	9.7	5.8
Add charges not requiring funds:			
Depreciation, etc.	12.2	12.1	12.7
Alterations to pension foundations, general stock reserve and allocation to reserve for future investments . . .	21.1	24.6	30.8
Total funds from operations	41.3	46.4	49.3
Increase (decrease) of long-term liabilities	(3.0)	7.1	0.2
Total funds received	38.3	53.5	49.5

APPLICATION OF FUNDS (amounts in kr. million)

	1964	1965	1966
Dividend	2.4	2.7	3.0
Investments in buildings, machinery and equipment	15.6	20.9	25.4
Net increase (decrease) in shareholdings, long-term accounts	11.8	0.3	(1.4)
Increase (decrease) of funds on blocked account with Sveriges Riksbank . . .	0.8	1.3	(1.2)
Total funds applied	30.6	25.2	25.8
Net increase (net decrease) in working capital	7.7	28.3	23.7
of which cash assets and quoted investments	16.6	(0.2)	(19.5)

AB Bolinder-Munktell's sales programme includes five different special machines for forestry transportation. Below is shown one of them, the SM 460.



Svenska Flygmotor Aktiebolaget

Board: Gunnar Engellau (Chairman), Per Odelberg (Vice Chairman), Ebbe Svensson, Svante Simonsson, Börje af Klint, Arne Körling (Managing Director)

Extract from Management Report

During 1966, the Company was chiefly engaged in the manufacture of jet engines and printing machinery as well as considerable development, design and experimental work undertaken principally on behalf of the Swedish Air Ministry.

The resolution passed by the Swedish Parliament during 1965 confirming in principle the continued development work on the aircraft Weapons System 37 meant that development could proceed on the RM 8 turbo-jet engine. The considerable development work proceeded entirely according to the agreed programme and in the beginning of October the first prototype engine was delivered after completed tests concerning air-worthiness.

The resolution passed at the same time by the Swedish Parliament postponing production of series deliveries of Weapons System 37 meant a continuous adaption to a lower rate of delivery within the current RM 6-programme. The country's strained financial position gives rise to fears that a future defence decision may result in continued low, and in time, further reduced, rate of orders from the Swedish Air Force.

Turbo-jet engines and spare parts were delivered according to programme to the Swedish Air Ministry. Orders on hand at the end of the year were approximately of the same magnitude as those on the corresponding date of the previous year.

Efforts to compensate for the reduction in orders from the Swedish Air Ministry with orders from the international jet-engine market, resulted in partly the continued, considerable, order from Rolls Royce Ltd. England, and partly orders from Pratt & Whitney, USA, for the production over several years of parts for the civilian turbo-jet engine JT8D.

In competition with American companies specialising in this branch, the Company received orders partly to manufacture under licence the fuel control system developed in USA for the RM 8 engine, and partly to develop a liquid-fuel rocket engine for robot 305 in the Weapons System 37.

Series deliveries of engine units for the type S tank on behalf of AB Volvo proceeded according to plan. The backlog of orders was of the same size as for the previous year.

Manufacture of parts earmarked for the Parent Company's car production progressed according to plan. Placed on order was a new type of steering gear and production preparations were started for the new version.

In spite of growing competition and increasing tariff barriers, sales of web offset presses from the subsidiary company, Grafiska Maskin AB, were good throughout the year and particular success was noted within the EEC-market. Deliveries took place to Chile, Russia, West Germany, Holland, Switzerland and Sweden. Production was started during the year on two large versions of web offset presses and the continued tests with the newly designed sheet rotary press AR42 gave good results. Sales of the two-revolution printing presses increased somewhat, while sales of other printing products remained at about the same level as for the previous year. The orders in hand for printing products remained at the high level reached during 1965 and more or less corresponded to a year's deliveries.

The Company's total orders in hand concerning all branches of its activities increased considerably during the year.

A site area of 260,000 sq. metres (311,000 sq. yards), situated in the neighbourhood of the present factory area, was purchased.

Investments in site acquisition, machinery, experimental and testing resources as well as other equipment absorbed costs amounting to kr. 6 million.

For current projects involving investments there remained to pay at the end of the year about kr. 11 million.

The long-term planning of the Company aimed at widening the scope of its civilian activities continued and involved considerable product development. The developing and testing of turbo-compressors, hydraulic machines and sheet rotary presses during the year were such that these units reached the production stage and their marketing is planned within the near future.

	1966	1965
Average number of employees:		
Salaried employees	980	989
Wage earners	1,125	1,138
Total	2,105	2,127

Wages, salaries and other emoluments during the year amounted to kr. 52,246,000; — of which kr. 681,000; — went to the Board and Management, kr. 29,971,000; — to remaining salaried employees and kr. 21,594,000; — to wage earners.

The result of the Company's activities during 1966 and its position at the end of the year are shown in the accompanying Profit and Loss Account as well as in the Balance Sheet and the Comments on the Accounts.

Available for disposition by the General Meeting:	kr. 1,000
Balance of unappropriated earnings	3,023
Profit for the year	3,747
Total	6,770

The Board and Managing Director propose that the above amount be disposed according to the table below. Included for purposes of comparison are the 1965 corresponding amounts approved by the General Meeting.

	kr. 1,000	
	1966	1965
Allocation to supplementary legal reserve	580	670
8 % dividend	2,880	2,880
Balance of unappropriated earnings carried forward	3,310	3,023
Total	6,770	6,573

Profit and Loss Account for 1966 and balance of unappropriated earnings

(amounts in kr. million)

	1966	Alteration from previous year
<i>Sales</i>	165.2	— 0.1
<i>Cost of products sold</i> including maintenance, repairs, depreciation, type development costs, etc., and guarantee costs (general administrative ex- penses 1.2)	160.4	+ 2.3
<i>Trading profit</i>	4.8	— 2.4
<i>Miscellaneous income</i>		
Interest	3.7	+ 0.9
Cash discounts received	0.5	— 0.1
Sundry income	0.1	— 0.2
	9.1	— 1.8
<i>Miscellaneous costs</i>		
Interest	0.1	+ 0.1
Cash discounts	1.2	— 0.3
Sundry costs	0.1	—
	1.4	— 1.6
<i>Taxes on income</i>	3.9	— 1.2
<i>Net profit for 1966</i>	3.8	— 0.4
Balance of unappropriated earnings at beginning of year	3.0	
At the disposal of the General Meeting	6.8	
<i>Less, according to the recommendations of the Board and Managing Director:</i>		
Allocation to the supplementary legal reserve	0.6	
Dividend	2.9	
<i>Balance of unappropriated earnings at 31st December, 1966</i>	3.3	

Balance Sheet as at 31st December, 1966

(amounts in kr. million)

Assets	1966	Alteration from previous year
<i>Fixed assets</i>		
Property, machinery and equipment (note 1)	42.7	— 4.9
Shares and stockholdings (note 2)	0.8	—
Long-term loan to subsidiary company	0.4	—
	<u>43.9</u>	
<i>Investment account with Sveriges Riksbank</i>	0.9	—
<i>Current assets</i>		
Stocks (note 3)	58.8	+ 1.1
Trade debtors (of which 7.4 in exchange bills)	39.8	+ 9.1
Advance payments to suppliers	5.6	— 1.9
Accounts with Group companies (of which 0.6 with subsidiary companies)	2.2	— 0.1
Sundry debtors	1.9	+ 0.2
Cash at banks and in hand (of which 2.6 on blocked accounts)	61.5	+ 15.2
	<u>169.8</u>	
<i>Total assets</i>	<u>214.6</u>	<u>+ 18.7</u>
Shareholders' equity and liabilities		
<i>Shareholders' equity</i>		
Share capital	36.0	—
Legal reserve	7.2	—
Supplementary legal reserve	4.1	+ 0.6
Unappropriated earnings	3.3	+ 0.3
	<u>50.6</u>	<u>+ 0.9</u>
<i>Total shareholders' equity</i>	50.6	+ 0.9
<i>Reserve for future investments</i>	2.0	—
<i>Long-term liabilities</i>		
Pension Foundation (note 4)	4.0	— 1.6
Promissory loans	2.3	+ 1.0
Subsidiary company	0.6	—
	<u>6.9</u>	
<i>Current liabilities</i>		
Suppliers	12.2	+ 5.3
Subsidiary companies	0.2	—
Advance payment from Parent Company	3.7	+ 3.7
Advance payments from Swedish Air Ministry	114.0	+ 2.0
Sundry current liabilities and provisions (note 5)	25.0	+ 4.2
	<u>155.1</u>	
<i>Total shareholders' equity and liabilities</i>	<u>214.6</u>	<u>+ 18.7</u>
Securities pledged (note 6)	164.4	— 0.9
Contingent liabilities	4.0	— 0.4
Pension commitments, annual	0.1	—

Comments on the Accounts

The 1966 Annual Report has been altered to the extent that the value for investments decided upon together with corresponding liabilities has been excluded from the Balance Sheet.

1. BUILDINGS AND PLANT

At the end of the financial year the position was (in kr. million):

	Original cost	Depreciation in 1966	Depreciation account	Net book amount	Rateable value	Fire insurance value
Factory sites and installations	4.5	0.1	1.0	3.5	1.9*	—
Buildings and facilities	47.1	1.6	25.3	21.8	41.8	61.5
Machinery, equipment and tools	87.1	9.4	70.6	16.5	—	155.1
Additions to plant, etc., in progress	0.9	—	—	0.9	—	0.9
Total	139.6	11.1	96.9	42.7	43.7	217.5

*) Sites to a value of kr. 1.0 million had not yet been assessed for taxation at the end of the year.

Depreciation during the previous year

8.0

The 1966 depreciation amount included kr. 2.0 million for extra depreciation over and above the Company's normal provisions.

Capital expenditure during the year amounted to kr. 6.2 million.

2. SHARES AND STOCKHOLDINGS

Specification of holdings:	Nominal value in 1,000	Book amount kr. 1,000
<i>Subsidiary companies</i>		
Grafiska Maskin AB Sw.kr.	600	600
A. Anderssons Maskin AB Sw.kr.	10	10
Tirfing Printing Machinery, Inc. US \$	5	26
Tirfing Schnellpressen-Vertriebs GmbH DM	100	128
Subsidiary companies		764
<i>Non-affiliated companies</i>		
AB Atomenergi Sw.kr.	50	50
Total		814

3. STOCKS

Stocks were written down by a further kr. 3.8 million compared with kr. 0.7 million from the previous year. As a consequence of the increase in the volume of stocks, the book value was increased slightly during the year.

4. PENSION FOUNDATION

Company liability in respect of the PRI-Foundation amounted at 31st December, 1966, to kr. 4.0 million. The corresponding liability at 1st January, 1966, was kr. 2.4 million. Disbursed pensions were charged to the year's earnings.

5. SUNDRY CURRENT LIABILITIES

In the Balance Sheet the amounts entered as sundry current liabilities and provisions comprehended:

	kr. million	
	1966	1965
Taxation	1.1	1.6
Proposed dividend	2.9	2.9
Advance payments from customers other than Parent Company and Swed- ish Air Ministry	6.7	3.0
Miscellaneous liabilities	10.5	9.7
Provisions	3.8	3.6
Total	25.0	20.8

6. SECURITIES PLEDGED

	kr. million	
	1966	1965
<i>Securities pledged — own:</i>		
Stock, machinery, equipment	155.0	155.0
Blocked bank deposits	2.6	1.5
Total	157.6	156.5
<i>Securities pledged — received:</i>		
Stock, machinery, equipment	5.0	5.0
Miscellaneous	1.8	3.8
Total	6.8	8.8

In October, 1966, the first RM8 engine was delivered according to programme. Here it is being installed in the prototype aircraft "Viggen".

The largest web offset press — the new GMA-Satellit-machine — to be built by GMA has been ordered by the firm K. Schliessmann in West Germany.

